This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

+ *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.

+ *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.

+ *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.

+ *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at `http://books.google.com/`

Digitized by Google

Digitized by Google

Digitized by Google

Digitized by Google

Digitized by Google

Digitized by Google

TRUST COMPANIES

Their Organization, Growth and Management

BY

CLAY HERRICK

UNIV. OF CALIFORNIA

NEW YORK
BANKERS PUBLISHING COMPANY
1909

Digitized by Google

HG4352
.H4

GENERAL

Copyright 1909
BANKERS PUBLISHING COMPANY
NEW YORK

20730.2

Digitized by Google

PREFACE.

THE writer is spared the task, somewhat common to authors, of offering an apology for the addition of another "to the already large number of books on the subject," because the literature on the subject of trust companies is small in amount, and nearly all of it has appeared since the preparation of this work was begun.

The present volume is composed of a series of articles which appeared in "The Bankers Magazine" of New York during the years 1904 to 1907, inclusive. When the preparation of the series was begun, in 1903, there had been published but one treatise on trust companies—Mr. George Cator's monograph on "Trust Companies in the United States," a valuable work, but one which treats the subject briefly and from the academic standpoint. The only other writings on the subject consisted of advertising booklets published by trust companies, and a very few magazine articles. In 1904, Mr. Ernest Heaton issued his "The Trust Company Idea and Its Development," a brief but instructive sketch of the development of the institution in the United States, Canada, Australia and elsewhere. The following year there appeared Messrs. Kirkbride and Sterrett's excellent work on "The Modern Trust Company," treating the subject at length and from the practical standpoint. So far as the writer knows, these comprise all the general works that have been published on the subject. A number of the financial periodicals publish articles relating to trust companies from time to time, and many trust companies issue advertising booklets containing important information regarding their methods of business. But the material at the disposal of one who would make a study of the trust company from either the historical, academic or practical standpoint is thus far quite limited. The present volume contains the only attempt yet made, so far as the writer knows, to present an historical sketch of the development of the American Trust Company.

The writer is conscious of some defects in the work, and no doubt there are other defects of which he is not conscious. The fact already mentioned, that the chapters of the book were originally written as a series of articles appearing monthly in a magazine, may account for some peculiarities of method. The time at the writer's disposal being such as could be found when not employed at his regular duties, was not sufficient to enable him to finish various parts of the work to his own satisfaction. He has, however, taken the greatest pains to insure accuracy in all statements made, and has verified much of the contents of the book by personal interviews and by correspondence with numerous trust company officials and employees. Recognizing the fact noted in the text of the book that there is considerable diversity in methods and practices among different trust companies, he has endeavored to make the work fairly representative of the most common usages, giving in the chapters on forms and records,

Digitized by Google

292032

samples of those used by a number of different companies. This plan made impossible the following out of one complete system of forms and records such as a single company uses, a defect which is, in the writer's opinion, more than overcome by the advantage to the reader of having before him illustrations of the methods of a large number of progressive companies. In the endeavor to make the work useful to the greatest number of trust companies, the writer has aimed to have it representative of the forms and methods of the company of average size.

While the writer is alone responsible for all views and statements presented, he is under obligation to various gentlemen for information courteously given. In particular he wishes to acknowledge his indebtedness to the officials of the various companies whose forms are used to illustrate the book, for the use of the forms and for information given in response to letters; to state officials for information regarding state legislation; to W. E. Crittenden for the preparation of the chapter on Title Insurance; to the Old Colony Trust Company of Boston for permission to reprint its Rules for Stock Transfers; to E. A. Feasel, Librarian of the Cleveland Law Library, for access to the library in the preparation of the chapters on trust company laws; to E. E. Newman for suggestions regarding the detail work of the Corporations division of the Trust Department; to James Borrowman for information regarding the Australian trust companies; to Frederick Vierling for information regarding the Real Estate Department and for permission to print his rules governing stock issues and papers required in accepting bond trusts; to the Franklin Trust Company for permission to print its By-laws. Acknowledgment is made in foot-notes throughout the book for information due to various authorities quoted.

In preparing the articles for publication in book form, the statistical matter in the chapter on the history of the trust company movement, and the summary of the state laws (originally published in 1904), and other matter, have been brought down to the year 1908, inclusive.

CLAY HERRICK.

CLEVELAND, O., June, 1909.

Digitized by Google

TABLE OF CONTENTS.

CHAPTER I.

HISTORY OF THE TRUST COMPANY MOVEMENT IN THE UNITED STATES, pp. 1-32.

Diversity of Functions, 1—First Grants of Trust Powers, 2—Present Condition of the Four Earliest Companies, 6—Other Early Companies, 7—Relative Progress of Trust Companies and Savings Banks, 9—Organization of Companies After the Civil War, 10—Freedman's Savings and Trust Co., 12—Comptroller Knox's Criticism of Companies, 13—Competition Between Banks and Trust Companies, 14—Steady Development, 15—Growth from 1875, 16—Chart Showing Growth, 18—Growth of Trust Companies and Other Banks Compared, 19—Statistics of Suspensions, 22—Statistics 1875-1908, 25—Reserves, 26—Present Statistics, 28—Recapitulation, 30—Causes of Growth, 31.

CHAPTER II.

THE FUNCTIONS OF TRUST COMPANIES, pp. 33-53.

Definition of "Trust Company," 33—Nature and Variety of Individual Trusts, 34—Probate Business, 37—Investment Business, 38—Real Estate Business, 40—Insolvency Business, 40.—Trustee or Agent for Corporations, 41—Transfer Agent and Registrar, 42—Corporation Reorganization, 43—Fidelity and Title Insurance, 44—Safe Deposit Business, 45—Superiority of Trust Companies in Trust Capacities, 45—Banks and Trust Companies Compared, 47—Miscellaneous Functions, 51—Sources of Earning Power, 52—Still in Formative Period, 53.

CHAPTER III.

THE ORGANIZATION OF TRUST COMPANIES, pp. 54-73.

Elements Contributing to Success, 54—Preliminary Steps, 55—Incorporation in New York, 55—By-laws, 58—Selection of Directors, 66—Special Charters, 68.

CHAPTER IV.

TRUST COMPANY LEGISLATION, pp. 74-89.

Progress of Legislation, 74—Directors, 75—Capital Stock, 75—Powers, 76—Powers in New York, 77—Trustee Powers, 79—Holdings of Real Estate, 80—Auxiliary Powers, 81—Banking Powers, 81—Regulation, 83—Double Liability, 85—Deposit with State, 85—Restrictions on Loans, 86—Reserves, 86—Reports and Examinations, 88.

CHAPTER V.

SUMMARY OF STATE AND TERRITORIAL LAWS RELATING TO TRUST COMPANIES, pp. 90-161.

Alabama, 90—Arizona, 91—Arkansas, 91—California, 92—Colorado, 93—Connecticut, 95—Delaware, 96—District of Columbia, 97—Flor-

Digitized by Google

ida, 98—Georgia, 98—Hawaii, 99—Idaho, 100—Illinois, 102—Indiana, 103—Iowa, 104—Kansas, 105—Kentucky, 106—Louisiana, 107—Maine, 109—Maryland, 111—Massachusetts, 111—Michigan, 115—Minnesota, 116—Mississippi, 117—Missouri, 119—Montana, 120—Nebraska, 122—Nevada, 122—New Hampshire, 122—New Jersey, 126—New Mexico, 126—New York, 128—North Carolina, 133—North Dakota, 134—Ohio, 136—Oklahoma, 138—Oregon, 141—Pennsylvania, 142—Rhode Island, 144—South Carolina, 146—South Dakota, 146—Tennessee, 148—Texas, 149—Utah, 151—Vermont, 152—Virginia, 154—Washington, 155—West Virginia, 157—Wisconsin, 159—Wyoming, 160.

CHAPTER VI.

ORGANIZATION OF THE WORKING FORCE, pp. 162-171.

Diversity in Organizations, 162—Duties of the Various Officers, 162—Managing Officer, 163—Chart of Working Force, 164—Duties of Various Officers and Employees Banking Department, 165—Work of the Trust Department, 168—Real Estate Department, 170—Safe Deposit Department, 170—Bond Department, 170—Advertising Department, 170—Auditor, 171—Attorney, 171.

CHAPTER VII.

FORMS AND RECORDS FOR THE TRUST DEPARTMENT, pp. 172-233.

Accounting System, 172—Loose-leaf Books and Cards, 173—Relation of Trust and General Books, 174—Trust Register, 175—Journals and Ledgers, 182—Corporations Division of Department, 185—Estates Division of Department, 190—Sundry Forms Corporations Division, 199—Forms for Transfer of Stock, 203—Forms for Bond Trusts, 209—Coupons, 215—Sundry Forms Estates Division, 220—Record of Securities, 220—Real Estate Record, 224—Insurance Record, 225—Rents, 226—Tax-book, 227—Vouchers, 229—Statements of Account, 231.

CHAPTER VIII.

FORMS AND RECORDS FOR THE SAFE DEPOSIT DEPARTMENT, pp. 234-248.

Identifying Customers, 234—Appointment of Deputies, 236—Joint Tenants, 237—Renting to Corporations, 238—Cash Records, 240—Ledgers, 240—Visitors' Register, 243—The Storage Department, 244—Rules, 246.

CHAPTER IX.

FORMS AND RECORDS FOR THE BANKING DEPARTMENT, pp. 249-339.

Progress, 249—Labor Saving, 249—Forms for Use of Customers, 250—Pass-books, 252—Voucher checks, 255—Tellers' Records, 260—Proofs, 260—The Individual Books, 265—Boston Ledger, 267—Short

Digitized by Google

Cuts, 273—Interest on Balances, 276—Statements of Account, 280—Stop-payments, 282—The General Books, 283—Boston Ledger for General Accounts, 289—The Loan Department, 292—Loan Ledgers. 297—Collateral Loans, 298—Mortgage Loans, 303—Miscellaneous Loan Forms, 312—Bills Discounted, 317—Investment Records, 321—Clearing Checks, 324—Collections, 325—Letters of Remittance, 326—Official Checks, 327—Drafts on Banks, 330—Certificates of Deposit, 330—Certified Checks, 332—Record of Expenses, 334—Records of Supply Department, 337.

CHAPTER X

FORMS AND RECORDS FOR THE SAVINGS DEPARTMENT, pp. 340-355.

Opening an account, 340—Signature cards and identification, 341—Joint accounts, 342—Society and corporation accounts, 343—Changing accounts, 344—Pass-books, 344—Deposit slips, 345—Withdrawals and checks, 345—Notices of withdrawal, 347—Journals, 348—Proof of postings, 349—Ledgers, 350—Card ledgers, 351—Daily trial balance, 353—Lost pass-books, 355.

CHAPTER XI.

FORMS AND RECORDS FOR THE REAL ESTATE DEPARTMENT, pp. 356-368.

Work of the department, 356—Equipment, 358—Listing and indexing properties, owners and tenants, 359—Report and memorandum of sale, 362—Renting property, 363—Receipts for rent, 364—Statement of rents, 366—Tickler, 366—Methods of accounting, 366—Rent books, 368.

CHAPTER XII.

THE TITLE INSURANCE DEPARTMENT, pp. 369-378.

Character of the business, 369—Equipment, 370—Application for title insurance, 371—Form of the policy, 372—Conditions of the policy, 373—Insuring an assignee, 375—Extension of policy, 376—Release of claim, 377—Policy register, 377—Value of title insurance, 378.

CHAPTER XIII.

METHODS OF INCREASING BUSINESS, pp. 379-394.

Reasons Why a Trust Company Should Advertise, 379—Kinds of Advertising, 380—Management, 380—Planning a Campaign, 382—Mediums, 383—Newspapers, 383—Circulars and Booklets, 384—Letters, 385—Other Mediums, 386—Personal Efforts, 387—Audits and Examinations, 388—Treatment of Customers, 388—Increasing Trust Business, 389—Preparation of Advertising Copy, 392—Typographical Make-up, 394.

Digitized by Google

CHAPTER XIV.

EXAMINATIONS, AUDITS AND OTHER MEANS OF SAFEGUARDING THE BUSINESS, pp. 395-404.

The Parties Interested, 395—Accounting and Administration, 395—Purposes of Audits, 396—Examinations by State Officials, Committees of Directors, Stockholders, etc., 397—The Audit Department, 399—Selection and Treatment of Employees, 400—Qualifications of Employees, 402.

CHAPTER XV.

SUNDRY TOPICS, pp. 405-412.

Fees, Problem of Determining, 405—Fees as Executor, etc., 406—As Assignee and Receiver, 407—As Trustee Under Bond Issue, 407—As Transfer Agent, 408—Foreign Exchange, 408—Time and Labor Saving Devices, 408—Branch Banking, 409—Offices and Buildings, 410—Exclusive Buildings, 411.

CHAPTER XVI.

THE DUTIES AND LIABILITIES OF TRUST COMPANIES ACTING IN VARIOUS CAPACITIES, pp. 413-443.

Transfer Agent, Duties of, 413—Liabilities, 415—Liabilities of a Corporation Acting as Its Own Transfer Agent, 416—Responsibility of Separate Transfer Agent, 418—Methods of Safeguarding the Transfer Agent, 421—Rules for Stock Transfers, 422—Duties and Liabilities of the Registrar, 425—Trustee Under Bond Issues, 428—Conditions in Trust Deed, 429—Papers Required in Assuming Trust, 433—The Payment of Coupons, 436—Escrows, 437—Depositary Under Plans of Reorganization, 437—Executor or Administrator, 438—Trustee, 440—Guardian, Conservator, etc., 441—The Investment of Trust Funds, 442.

CHAPTER XVII.

TRUST COMPANIES OUTSIDE OF THE UNITED STATES, pp. 444-456.

Germs of the Idea in India and South Africa, 444—The Australian Trustee Company, 444—Statistics of Australian Companies, 446—Powers, 447—The New Zealand Public Trust Office, 449—Canadian Trust Companies, 451—Cuba, Mexico, 453—Argentine Republic, 454—Japan, 454—England and Scotland, 455—European Countries, 456.

BIBLIOGRAPHY, pp. 457-466.

Books and Pamphlets Relating Directly to Trust Companies, 457—Proceedings, Reports and Periodicals, 458—Articles in Periodicals, 460—Banking, Technical and General, 463.

GENERAL INDEX, p. 467.

INDEX TO FORMS, p. 476.

Digitized by Google

LIBRARY OF THE UNIVERSITY OF CALIFORNIA

TRUST COMPANIES.

CHAPTER I.

HISTORY OF THE TRUST COMPANY MOVEMENT IN THE UNITED STATES.

THE term "trust company" has not in the past been one whose meaning was clearly defined; nor is it at the present day so used as to admit of a definition that is both brief and accurate. This doubtless results, in part, from the fact that the trust company is an institution whose characteristics have gradually developed in accordance with the needs of the time and of the community; and in part because concerns doing widely different kinds of business have found it of advantage to adopt the name "trust company," and to incorporate under the laws governing such companies. Even salary-loan concerns and pawnbrokers have made use of the name, and numerous abuses have led several of the States to pass laws prohibiting the use of the word "trust" in titles, except by direct authority.[1]

Diversity of Trust Company Functions.

Among the fifteen or sixteen hundred trust companies now (1908) existing in the United States, a careful analysis of the business actually done would show that the term is applied to corporations whose functions vary greatly. Some are simply banks of deposit and discount; many are savings banks; some are safe-deposit companies; some are title-insurance or fidelity-insurance companies; some serve chiefly as fiscal agents for corporations, and as registrars, transfer agents, intermediaries in reorganizations, promoters, etc.; some devote themselves to the care of estates and to services as executors, administrators, guardians, trustees, etc. Most companies combine two or more of these classes of functions, while a few undertake nearly all of them. In early years the life insurance and trust businesses were intimately associated.

Thus it is evident that in tracing the development of trust companies we shall find ourselves treating of institutions which, under the same general name, have performed functions of various kinds. Statistics of any sort regarding trust companies are difficult to obtain, and none can be had which distinguish between the different classes of companies using that name. There is no available information showing how many of the trust companies are doing a trust business properly so-called, as distinguished from ordinary savings or commercial banking. It is also to be observed that some of the functions which are coming to be recognized as distinctively those of the trust company have always been carried on to some extent by banks.

1 This was done in New York in 1900.

Digitized by Google

What has been said refers to the use of the term by those who are to some degree, at least, conversant with its true or usual meaning. The general public is still curiously ignorant of the signification of the name; and, incredible as it may seem, many intelligent people even confuse the trust company with the "trust."

A ludicrous instance of this was reported at the meeting of the American Bankers' Association in 1897. "In response to a request addressed to the Secretary of State for each State, for a certified copy of the laws relating to trust companies, about half a dozen secretaries transmitted copies of the laws regulating, restricting or prohibiting pools, trusts, unlawful combinations and conspiracies in restraint of trade. The copies of these laws were returned with an explanation that it was the statutes relating to trust companies which act as trustee, executor, etc., which were desired. In one case, the Attorney-General, to whom the letter was referred, replied that he regretted misreading the first letter on the subject, but after a thorough search he was convinced that there were no statutes of his State relating to trust companies, and that, as far as he could learn, there were no trust companies doing business in his State, except the Standard Oil Co."[2]

Education on the subject has evidently been going on, for the writer has had no trouble in getting satisfactory replies from officials of all the States.

In the following pages the writer has aimed to keep in mind, whenever possible, the distinction between the trust company proper and the ordinary bank doing business under the name "trust company;" but the reader is reminded that, in the statistics particularly, it is not possible to follow out the distinction. The reader will also observe that in our day the trust company has, in most States, so far entered into the field of the ordinary bank, that a proper definition would assign to it both banking and trust functions.

Both the name trust company and the idea of its typical functions have been known since early in the nineteenth century. It was not supposed, however, that these functions were of sufficient importance to establish a distinct class of companies for their performance, nor did the trust company as an institution attract general attention until well along in the last quarter of the century.

The First Grant of Trust Company Powers.

The earliest instance of a company chartered with power to perform trust business was that of the Farmers' Fire Insurance and Loan Company, which was incorporated by the Legislature of New York, February 28, 1822.[3] The act states that certain persons "Associated as a

2 Paper by Ralph Stone on "Statutes of the Several States Relating to Trust Companies." Proceedings American Bankers' Association, 1897, p. 158.

3 For the facts stated regarding the early history of this company, see Cator: "Trust Companies in the United States," pp. 67-72; and Proc. Amer. Bankers'

Digitized by Google

company under the name of the Farmers' Fire Insurance and Loan Company, as well for the purpose of accommodating the citizens of the State residing in the country with loans on the security of their property (which cannot now be obtained without great difficulty) as to insure their buildings and effects, and those of other persons, by loss from fire, and also for such other useful purposes as are hereafter specified, have prayed the Legislature for a charter of incorporation, to be located in the City of New York, which it is reasonable to grant." The company had an authorized capital of $1,500,000, but was permitted to begin with $500,000. It was empowered to loan upon farms, houses, factories or real estate; but mortgaged property taken on foreclosure could not be held longer than five years, on penalty of being forfeited to the people of the State. The company was authorized to grant annuities; to insure all kinds of property against loss or damage by fire; to purchase and hold any stock or foreign debt, or the stock of any corporation. It was especially provided that nothing in the act should be so construed as to authorize the said corporation to receive any deposit or deposits, or to discount any promissory note, bond, due-bill, draft or bill of exchange, "nor shall it be so construed as to allow any banking privileges or business whatever."

Two months later—April 17, 1822—the same Legislature passed another act providing "That the said corporation shall also have authority to receive and take by deed or devise any effects and property, both real and personal, which may be left or conveyed to them in trust; and to assume, perform and execute any trust which has been or which may be created or declared by any deed or devise as aforesaid; and the said corporation are authorized to receive, take, possess, and stand seized of, and to execute any and all such trust or trusts in their corporate capacity and name, in the same manner and to the same extent as trustee or trustees might or could lawfully do, and no further."

There appears no reason to question the statement of the company that this was the earliest bestowal of such powers upon any corporation in the United States. It will be noticed that the powers granted are quite as broad as those now usually given to cover trustee work, though the language is more concise and less explicit than that contained in most modern charters. That the growth of this part of the company's business was rapid is shown by the fact that the insurance business, which was looked upon at first as its chief field of operations, soon began to be neglected in favor of the trust business. This line of work, once established, grew steadily, and it was finally found advisable to give up the insurance business altogether. In 1836 the name was changed to the Farmers' Loan and Trust Company.

Eight years later—in 1830—another company was established in

Assn., 1899, pp. 252-3, paper by Francis S. Bangs. That the company performed trust functions almost from the beginning is also attested by a letter from the Secretary of the company.

Digitized by Google

New York city with practically the same powers. This was the New York Life Insurance and Trust Company, whose capital was one million dollars, and which was empowered to write insurance on lives, and to execute trusts of every description. For many years after its incorporation life insurance was the most important branch of its business, and in 1903 it still made a feature of annuities. This company "has never had accounts such as are carried by commercial or savings banks, its deposits in trust being largely moneys of executors, trustees, associations, etc."[4] It declines all corporation business, and administers only private trusts.

It was not long before the trust business took root and vigorously developed in New York's old rival, Philadelphia. Strangely enough, however, the suggestion of taking up the new line of business came not from New York, but from the far East. This fact would seem to establish that, however successful the experiment may have seemed to the Farmers' Fire Insurance and Loan Company, it attracted comparatively little attention among other concerns in New York, and almost none ninety miles away, in Philadelphia.

Gathered in the Merchants' Coffee House in Philadelphia—which took the place of the business men's club of our day—as early as December, 1809, a group of prominent philanthropists and financiers of the Quaker City had determined upon the incorporation of a company for the insurance of lives and the granting of annuities. Three years later, on March 10, 1812, the Governor approved the charter, which had been granted by the Legislature only after much opposition, and later in the same month the company began business with an authorized capital of $500,000. It prospered sufficiently to declare its first dividend of four per cent. on the capital paid in, on July 3, 1815. Its business during these early years, and up to 1836, was correctly described by the title of the company—a title which it still retains—the Pennsylvania Company for Insurance on Lives and Granting Annuities. In 1829 the attention of the officers of the company was attracted to a new line of business. "The great success of what in India at this time were called agency houses was irresistibly drawing the attention of financiers toward them. These were concerns organized to transact business for trustees or individuals, to receive moneys on deposit and to administer estates, and the advancement of the Pennsylvania Company in its chosen work induced its officers to desire an expansion in this new direction."[5] On February 4, 1830, the directors appointed a committee to report on the advisability of entering on "the receipt of money from persons, and, in consideration thereof, carrying out or executing such trusts as the persons giving the money should designate." The committee reported in favor of the project, the attorneys to whom was referred the legality of the undertaking gave their

4 Letter from the President of the company.

5 "Sketch of the Pennsylvania Co. for Insurance on Lives and Granting Annuities," p. 32.

Digitized by Google

approval, and in January, 1831, the officers were empowered to go ahead with the performance of the new line of work. But for some unexplained reason the work was not taken up, and the efforts of those who wished to push the matter were not successful until February 25, 1836, when the Legislature granted and the Governor approved a supplement to the charter, authorizing the company to enter into the business of executing trusts.

The powers granted were: To accept and execute trusts of every description; to be appointed trustee, assignee, guardian, committee or receiver; to receive moneys or other property, real or personal, in trust or on deposit, to accumulate the interest thereon, or to allow and pay the same.

As trustee, assignee, etc., the company was not required to give bond, the company's capital and assets being taken as the security required by law. The charter contained a provision that any court which appointed the company to any trust position might appoint a suitable person to investigate the affairs and management of the company; said person to report "The manner in which its investments are made, his opinion of the ability and integrity with which the affairs of the company are conducted; of the prudence and safety of its investments and the security afforded to those by whom its engagements are held; the expense of every investigation so made shall be defrayed by the said company." The provision was also made that the company should pay a reasonable rate of interest upon any sums not less than one hundred dollars collected in its capacity as trustee, assignee, guardian, committee or receiver, and that it should accumulate the surplus income of any minor's estate by adding interest annually on the whole as a new principal. The power to act as executor and administrator was not given until seventeen years later--in 1853.

Upon the new field of business thus opened to it, the company entered with vigor, the six years of delay in obtaining the necessary authority seeming to have prepared the way for a rapid accumulation of trust business. "In the course of a few years the trust transactions became one of the most profitable as well as most important features of the institution, and this feature forms to-day its chief business. The rise of the trust department followed the gradual decline of the life-insurance branch. The practical relinquishment of this business became an advisable policy of the company when the field was occupied by the numerous organizations which, in order to meet rising and acute competition, adopted methods that could not commend themselves to a corporation having charge of so large a number of trust estates."[6]

During the next month of the same year (March 17, 1836), a charter granting the same trust powers was given to the Girard Life Insurance, Annuity and Trust Company. This company also began at once the

6 "Sketch of the Pennsylvania Co. for Insurance on Lives and Granting Annuities," pp. 37-38.

Digitized by Google

accumulation of trust business, which increased at a satisfactory rate;[7] although it seems not to have made this business its main feature at first, as did the Pennsylvania Company from this time on.

The year 1836, then, saw in active pursuance of the trust business in the United States four companies, two in New York city and two in Philadelphia. During the years that immediately followed and down to the present time, their business in the trust department, as well as in other lines, has steadily grown, and they are among the leading companies of to-day. The Pennsylvania Company had, in 1868, accumulated a surplus of profits equal to its original capital of $500,000, and thereupon increased its capital to $1,000,000, distributing a stock dividend of 100 per cent. to its shareholders. In 1869 its business was divided into departments—the trust department, the department of insurance on lives and granting annuities, and the banking department. But no life insurance policies have been written since 1872, nor any annuities or endowments since 1873. The safe-deposit department was added in 1872, in which year also the capital was increased to $2,000,000.[8] In 1895 the company controlled one hundred and thirty-six millions of securities held in trust, taken at their par value, and received during the year more than a million dollars for rentals.[9] On May 28, 1907, it reported a capital of $2,000,000, surplus and profits $3,721,404, deposits $17,355,322. The amount of funds held in trust, invested and uninvested, was $138,311,425, besides which it held other trusts representing large amounts, not readily expressible in exact figures.

The Girard Company, which on June 22, 1899, changed its name to The Girard Trust Company, reported on May 28, 1907, capital $2,500,000, surplus and profits $9,773,805, deposits $29,976,098. It held trust funds, invested and uninvested, amounting to $76,538,089, and the amount of trusts under corporation mortgages and trusts of securities held by the company as depositary and trustee for issues of collateral trust bonds is given as $253,281,535.

The Farmers' Loan and Trust Company, of New York, had on January 1, 1880, accumulated deposits of over $6,000,000. This increased to $24,000,000 in 1890, and to $41,500,000 in 1900. The company's statement for August 22, 1907, shows capital $1,000,000, undivided profits $6,469,185, deposits $81,921,575, total resources $90,104,020.

The New York Life Insurance and Trust Company had on August 22, 1907, total resources of $42,240,726: the capital being $1,000,000, surplus and profits $4,022,104, deposits in trust $33,712,743, annuity fund $2,326,150, life insurance fund $381,504. This company, as already stated, has no deposits other than trust deposits.

Of all the trust companies now in existence, these four were the only ones which began business prior to the year 1853. There were, however,

7 Letter from the trust officer of the company.
8 Sketch of the Pennsylvania Company, pp. 45, 49, 51, 52, 136, 144.
9 Cator, p. 75.

Digitized by Google

a few other companies incorporated in these early years which have long since gone out of business, and which bore the name of trust companies.

The Ohio Life Insurance and Trust Company, of Cincinnati, was incorporated February 24, 1834, and began business in January of the following year.[10] It had a trust department and a banking department. Its powers included the issuance of circulating notes, and the leading object of its incorporation seems to have been the supplying of capital for the business of the community. For many years the company did a large business, though, on account of losses, its dividends were not so great as had been hoped. For the first seventeen years they averaged not quite six and one-quarter per cent. per annum. Early in 1852 the trust department had assets of $2,750,000. In addition the banking department had assets of over $1,345,000. The last years of this company were filled with troubles over the State tax question, the company being called upon for taxes of about $100,000 per year. The failure, which occurred August 24, 1857, and which precipitated the panic of that year, was attributed by the President of the company to "loans to parties unable to respond at this time."[11]

The passage of the Free Banking Law in New York, in 1838, was followed very soon (in July, 1838) by the incorporation of the North American Trust and Banking Company, of New York city.[12] Under the law, the company could discount bills and notes and other evidences of debt, and loan money on any kind of security, real or personal. The company had a brief but strenuous existence. Its capital "in cash, bonds and mortgages was between two and three millions of dollars, and upon this the directors and managers contracted debts and loans to the amount of $18,000,000."[13] In January, 1839, the company purchased $1,200,000 bonds of the State of Indiana, giving its notes in payment. It also bought Ohio State stocks, giving negotiable time certificates of deposit. For many years after the failure of the company the courts were occupied with litigation regarding the legality of these transactions, and the creditors included many anxious investors on the other side of the Atlantic. Another concern that passed like a comet through the financial sky of these days was the Kentucky Trust Company, which failed in 1854, after a very brief career. It had been chartered with an unlimited capital.

The year 1853 was marked by the incorporation of the first company organized in this country to transact exclusively the business of a trust company. This was the United States Trust Company, of New York city, created by an act of the Legislature April 12, 1853. "Its charter was the basis of all special charters of a similar character afterward granted in New York, as well as of the general law for the incorporation of trust

10 Bankers Magazine, July, 1852, Vol. VII. p. 74.
11 Ibid., September, 1857, Vol. XII, p. 240.
12 Ibid., November, 1854, Vol. IX, p. 349.
13 Ibid., November, 1852, Vol. VII, p. 341.

Digitized by Google

companies, which was adopted in 1887 and which has terminated the granting of special charters for such purposes."[14]

This company has had an important place in financial history during its fifty-odd years of life, and its list of directors and officers has included men of national prominence. During the last two years of the Civil War, when the financial problems of the Government were most serious, John A. Stewart, then Secretary of the company, at the earnest request of President Lincoln, undertook the work of Assistant Treasurer of the United States in the city of New York. Mr. Stewart became President of the company in 1865, and served with conspicuous success until 1903, when he tendered his resignation. He was succeeded by ex-Secretary of the Treasury Lyman J. Gage.

During its half century of life, the company has paid to those who entrusted to it their idle moneys for accumulation more than thirty millions of dollars in the way of interest on such funds.[15] Its statement on July 1, 1907, shows total resources of $77,711,640; capital $2,000,000; surplus and profits $12,513,709, and deposits in trust $61,455,947.

In 1857 the Merchants' Loan and Trust Company, of Chicago, the oldest existing bank in the State of Illinois, was granted a special charter by the Legislature of that State. Under this charter the company was authorized to do a general trust as well as banking business; but it did no trust business until about 1880, and did not make a specialty of such business until recent years. Its trust department was organized in 1901.[16]

There were some other companies with the word "trust" in their titles incorporated in Illinois at this time and a little later, but they were essentially State banks with a different name. Among these were the Chicago Loan and Trust Company, chartered in 1857, and the Real Estate Loan and Trust Company. Neither is now in existence.[17]

It is thus evident that down to the time of the Civil War the number of companies having the word "trust" in their titles was very small, and the number that actually undertook the trust business probably did not exceed half a dozen. That there were not more trust companies organized during this period seems at first thought somewhat remarkable in view of the success of the four companies first mentioned, and in view of the fact that this period was prolific in the formation of State banks. President Jackson's successful fight against the second Bank of the United States, followed by the removal of the public deposits to "pet banks," and the downfall of the Government bank, opened the field for new financial institutions. That field was, however, almost wholly for concerns that issued circulating notes, and this function was evidently not a part of the business of insurance companies, which were at that time, as

14 Fiftieth anniversary circular of the company, 1903, p. 8.
15 Ibid., p. 7.
16 Letter from the Secretary of the company.
17 Cator, p. 19.

Digitized by Google

we have seen, the only corporations engaged in the trust business. As several recent writers have pointed out, the business of handling deposits, which is now so important to most trust companies, was then of slight consequence as compared with that of note issue.

Relative Progress of Trust Companies and Savings Banks.

Another point of interest in this connection is the relative progress of the savings bank and the trust company movements. Each had its origin in semi-philanthropic effort (as did also the insurance business), though doubtless the savings bank movement partook more especially of this characteristic. The two classes of institutions were established at about the same time, the first savings banks in the United States having begun business in 1816—one in Philadelphia and one in Boston. The growth of the savings banks, after the first few years of experiment, was rapid, and they became an object of public interest almost from the start. There were thirty-six savings banks in the country in 1830, with deposits of nearly $7,000,000; in 1835, fifty-two banks, with deposits of over $10,500,000; in 1850, 108 banks, with deposits of over $43,000,000. In 1885—about the time that the trust-company movement began in some earnest—there were 646 savings banks, with deposits of $1,095,000,000.[18] Trust companies, on the other hand, were established half a century before they began to attract general attention, and where known at all in the early years the trust business was looked upon as only one of the less important functions of insurance companies. For this marked difference in the early history of the two classes of institutions, one explanation suggests itself which is quite sufficient to account for the difference. It is that the savings-bank movement began when the country had reached a condition wherein its need was felt, while the trust company was established in advance of any recognized need. Indeed, as we shall see, the conditions which make possible that part of the trust company's business which has to do with large enterprises of a corporate nature have not existed until within the last two or three decades.

It will be interesting to get an idea of the way in which the trust business was regarded in New York about the middle of the last century. In The Bankers Magazine for November, 1854,[19] there appeared an article on "The Trust Companies of New York." These are given under three heads, viz.:

1. The New York Life Insurance and Trust Company.
2. The United States Trust Company, of New York.
3. Life Insurance Companies.

The Farmers' Loan and Trust Company is included with regular life insurance companies under the third head. Of the United States Trust

18 Report of Comptroller of the Currency, 1902, p. 420.
19 Bankers Magazine, Vol. IX, p. 321.

Digitized by Google

Company, it is remarked that it does no life-insurance business—only "receiving moneys on deposit, and executing trusts." The figures are given for the two companies above named, among the items for the New York Life Insurance and Trust Company, being "deposits in trust, trust accumulation, life insurance, annuity granted, and receivership account." After a description of the two companies, the article proceeds: "There are other companies in the city which, if not strictly termed trust companies, are yet so in fact, as they are the depositories of funds that will not be demanded for a long series of years, and on the solvency and stability of whose affairs much depends. We allude to the life insurance companies."

Organization of Trust Companies After the Civil War.

The last year of the Civil War and the years immediately following saw a very distinct movement toward the formation of trust companies, and marked its spread into new territory. Of the companies now in existence over forty began business during the years 1864-1875.[20] However, many of these companies were in their early years not trust companies, but ordinary banks. The States represented were Pennsylvania, New York, New Jersey, Maryland, all the New England States except Maine, Illinois, Iowa and Georgia. In the eight years following 1865 about thirty-seven new charters were granted in Pennsylvania; very few of them, however, were used.[21]

The Union Trust Company, of New York, was chartered in 1864 and began its work in 1865; as did also The Provident Life and Trust Company of Philadelphia, both companies transacting a trust business from the beginning.[22] The Trust and Deposit Company of Onondaga, at Syracuse, N. Y., began business in 1866, undertaking from the first such trust business as was committed to it.[23] The year 1867 saw the beginning of the Safe Deposit and Trust Company, at Pittsburg, Pa., and of the Rhode Island Hospital Trust Company, of Providence, R. I. One of the leading objects of the organization of the latter was to serve as a pecuniary helper to the Rhode Island Hospital, then in its infancy. This company, which was modeled in part after the United States Trust Company, of New York, was given a threefold character by its charter: "First, a bank, with all banking powers except that of issuing a currency; second, a savings institution; third, an incorporated executor, administrator and trustee of the estates of decedents and of the living who might desire to avail of its services."[24]

---

20 See dates of organization of the various companies, given in "Trust Companies of the United States," published by the U. S. Mortgage and Trust Co., of N. Y.

21 Cator, p. 16.

22 Letters from the trust officers of the companies.

23 Letter from the Secretary of the company.

24 Circular issued by the company, giving its history.

Digitized by Google

In 1866 were chartered the Brooklyn (N. Y.) Trust Company, which commenced a trust business at once; the Worcester Safe Deposit and Trust Company, of Worcester, Mass., which, however, did not accept any trust until 1881; and the Hartford (Conn.) Trust Company, which did not enter into a trust business until 1899.[25] Among other companies chartered in New York during the sixties were the New York Guaranty and Indemnity Company, 1864; the National Trust Company, 1867, and the New York Mercantile and Trust Company, 1868.[26] All three have passed out of existence. The Northern Trust Company of Philadelphia was established in 1881, transacting trust business from the start.[27]

Boston now became interested in the movement, and in 1871 the New England Trust Company, which had been chartered in 1869, began business, receiving its first trust in May of that year.[28] The Massachusetts Trust Company, of Boston, chartered in 1870, also began business in 1871, but did not engage actively in the trust business until 1887.[29] By 1875, besides other companies in New York, Pennsylvania, Connecticut and Massachusetts, there had begun business the Camden Safe Deposit and Trust Company, of Camden, N. J., which exercised at once its powers to act as executor, administrator, guardian, agent, etc.; The Connecticut Trust and Safe Deposit Company, of Hartford, which at once undertook trust business;[29] and the Illinois Trust and Savings Bank, of Chicago, which, though authorized by its charter to accept and execute trusts, did not use such authority until 1888.[30]

Meantime during the sixties there had come into being a class of institutions whose business is now being taken up very generally by trust companies—namely, the safe-deposit companies. The Safe Deposit and Trust Company, of Baltimore, Md., was organized in 1864 as a safe-deposit company only, its trust business being taken on in 1876.[31] The Fidelity Trust Company, of Philadelphia, was established in 1866 as the Fidelity Insurance, Trust and Safe Deposit Company. While this company undertook the other lines of business indicated in its title, it made a specialty of the safe-deposit business, and claims to be the pioneer company in the country in this business.[32] The Boston Safe Deposit and Trust Company was organized in 1867 as a safe deposit company only; its name being changed and trust functions added in 1874 and 1877. THE BANKERS MAGAZINE for October, 1866,[33] mentions the recent organization of the Safe Deposit Company, of New York, which by its charter was restricted to the safe-keeping of valuables.

25 Letters from officers of the companies.
26 Bankers Magazine, Vol. XXIX, p. 678.
27 Letter from the Treasurer of the company.
28 Letter from the trust officer of the company.
29 Letter from the Secretary of the company.
30 Letter from the Secretary of the company.
31 Letter from the Vice-President of the company.
32 Letter from the Vice-President of the company.
33 Bankers Magazine, Vol. XXI, p. 316.

Digitized by Google

The renter of the safe exclusively held the key. Rents for the safes were $20, $30, $35, $40 and $45 per annum. The article says: "A similar company has been formed at Philadelphia and Cincinnati, and others are proposed in large cities." The same magazine in September, 1871, stated that there were many such companies in New York, Boston, Philadelphia, Hartford, Chicago "and other cities." The other cities must have included Baltimore and Cincinnati. It mentions the Chicago Fidelity Safe Depository, just established, with which was to be associated the Guarantee and Investment Association. The latter had a fiduciary and an executive department, and handled the "management of estates and executory trusts."[34] Hardly had the company been started when the great Chicago fire occurred. Its vaults were unharmed, and there was "not a paper scorched, or wax melted."[35] In a list of five concerns doing this business in New York city are included the National Park Bank vaults, and the firm of Ball, Black & Co., jewelers. The arrangements of one of the Philadelphia companies are described, and they show that this business was conducted in most particulars as it is now, but with more red tape. Accommodations were made for ladies, in some of these companies. Doubtless the organization of safe-deposit companies afforded great relief to the banks, which (as is the case still in some communities) did a great deal of safe-deposit work gratuitously. In 1873 THE BANKERS MAGAZINE referred to the "habit of leaving bonds, etc., for safe-keeping in the vaults of banks," and added that "a bank is never paid" for such services.[36] This is not the only function of the modern trust company that the old-time bank used to perform without charge, and also without legal responsibility.[37]

FREEDMAN'S SAVINGS AND TRUST COMPANY.

An account of the companies doing business during this period would be incomplete without reference to the Freedman's Savings and Trust Company, although this was a savings bank rather than a trust company. This institution was established through the efforts of Charles Sumner and others, in 1865, as a measure of philanthropy to aid the negroes in accumulating property for support in their newly-gained state of freedom. For some years its business prospered greatly, and thirty branches were established in the Southern States. In 1870 its charter was amended so as to loosen the restrictions on its investments; and this action, together with the panic of 1873, proved disastrous. The company became in-

34 Ibid., Vol. XXVI, pp. 161 to 164.
35 Ibid., Vol. XXVI, p. 632.
36 Ibid., Vol. XXVII, p. 871.
37 In 1876 a decision rendered by Justice Allen stated that National banks are not authorized to receive articles for safe-keeping, and cannot be held responsible for same. Bankers Magazine, Vol. XXX, pp. 222-229. For an able discussion of other trust company functions undertaken by national banks without legal authority, see Mr. Breckenridge Jones' paper on "The Trust Company—A Necessity," in Proceedings Trust Company Section, A. B. A., 1908.

Digitized by Google

solvent in July, 1874, and its failure was the source of great distress among the poor negroes who had trusted the institution fathered by the Government. The depositors numbered 72,000, scattered over thirteen States. The liabilities at the time of failure were $3,037,560; the amount paid creditors, after a delay of several years, finally amounted to sixty-two per cent. of their claims.[38]

Comptroller Knox's Criticism of Some of the Trust Companies.

Among other companies that suspended during the panic of 1873 were the Brooklyn Trust Company, the Union Trust Company, the National Trust Company, and the Warehouse Security Company, of New York.[39] The loose methods pursued by many financial institutions, and the craze for speculation and money-getting, which were largely responsible for the panic, called the attention of the Comptroller of the Currency to the different kinds of banking organizations. Among these the trust companies did not escape his attention. In his report for 1873-74 the Comptroller (Hon. John J. Knox) says:[40] "Trust and loan companies are usually organized, by special State statutes, in the large cities. Their capitals, deposits and business are quite large in amount. Reports are not required, and inadequate when given. For instance, one of the largest of these institutions has published but one report in the year, and that report contains only a statement of its assets, without any mention of the amount due to its depositors, or of any of its liabilities. The Bank Superintendent of New York, in reply to an inquiry in reference to these institutions, says (under the date of July 31, 1873): 'The trust companies of New York are peculiarly situated. Some are under the control of the Comptroller of the State; but the great majority of them are under no sort of supervision. * * * This class of corporations has multiplied rapidly during the last few years. * * * I am not able to furnish a copy of the charter of any of these companies.'" The Comptroller adds that he had received some reports from trust companies, but not enough to publish without making the report "delusive." He had better fortune the following year, and statistics of trust companies are found in the reports from 1875 on. In his report of 1875-76, the Comptroller says that the reports from Philadelphia were furnished cheerfully by the officers of the companies, "although they expressed doubt whether they could properly be classed as banking institutions."[41] If they are living now their doubts are probably removed. The Comptroller also says: "Several of the companies state that they hold very large values, amounting to many millions, in trust, which are

38 Bankers Magazine, Vol. XXIX, p. 936, and Vol. XLII, p. 909; Keyes: History of the Savings Banks of the United States, Vol. II, pp. 558 et seq.

39 "Commercial and Financial Chronicle," July 26 and Aug. 30, 1873. Report of U. S. Comptroller, 1873, p. 90.

40 Page XLIII.

41 Page LX.

Digitized by Google

not the property of the companies, and are not, therefore, returned by them as deposits proper." The same thing is true to-day, and for this reason statistics of trust companies do not convey a correct idea of the amount of property actually under their control.

Proposed Public Supervision of the Companies.

Agitation to bring the trust companies under some sort of supervision was going on at this time in several States. The Bank Commissioners of Connecticut, in their report for 1872, recommended that instead of the annual returns to the Commissioners then required, there be quarterly reports, and that same be published in the newspapers.[42] Such a law was enacted in 1872.[43] Connecticut had five trust companies at the beginning of that year.

The Superintendent of Banking of New York, in his report of December, 1873, recommended that the trust companies be brought under stricter State supervision. At this time some of them were under no supervision at all, while some reported either to the State Comptroller, the Superintendent, or to a Judge of the Supreme Court.[44] The Superintendent's recommendation was adopted, and the companies were brought under his supervision in 1874.

Competition Between Trust Companies and Banks.

Evidences that trust companies were now beginning to attract some attention from the general public, and to cause considerable uneasiness among other classes of bankers, is found also in the increasing number of comments upon them in the financial papers as well as in the Reports of the Comptroller of the Currency. In The Bankers Magazine for January, 1874,[45] is found this statement regarding "Trust and Loan Companies": "They were intended as repositories for trust funds, for the accumulation of deposits to be loaned on mortgage, and for investments in Government loans; in other words, as savings banks on a large scale. Recently they have been converted into stock-jobbing concerns, apparently for the benefit of stock operators, and in large sums." The article refers to the remarks of the Comptroller of the Currency in his Report for 1873 (p. XLIII) already quoted. Two years later (April, 1876), the same magazine has this to say:[46] "Recent events have led to some solicitude in regard to trust companies in this State, and the reports of these institutions have been scrutinized with unusual interest." On January 20, 1883, the "Commercial and Financial Chronicle" said:[47] "An important feature in our financial situation is the rapid extent dur-

42 Bankers Magazine, Vol. XXVII, p. 256.
43 Ibid., Vol. XXVIII, p. 184.
44 Cator, p. 51.
45 Bankers Magazine, Vol. XXVIII, p. 520.
46 Ibid., Vol. XXX, p. 777.
47 Vol. XXXVI, p. 917.

Digitized by Google

ing late years of the business of the trust companies of this State. Not very long ago their position was what their name implies—that is, institutions for safely keeping and managing trust funds. More recently they have been running into a general banking business, and now hold a position not very unlike the joint-stock banks of London, which take deposits on interest, loan them out as best they can, while leaving to the Bank of England the burden of carrying the reserve. In a similar manner the trust companies are dependent upon the reserve of the associated banks, while becoming active competitors for general deposits, very large lenders of funds on collateral securities and the leading buyers of paper in the market. * * * If the future growth of these trust companies is to be measured by the past growth, it will not be long before they will carry deposits one-half or two-thirds as large as the banks." Two years later[48] the same periodical, referring to the Report of the New York Superintendent of Banking, remarked: "He says the number of trust companies has increased beyond the wants of the State, and a general law will be a benefit, by helping to check their multiplication. In all this the Superintendent only gives expression of the prevailing opinion. Trust companies are needful, but only for certain well-defined purposes; they are misnamed and in some cases misleading when, in the garb of a trust organization, they exercise the powers of a bank."

Steady Development of the Trust Companies.

Notwithstanding many such complaints as these, the trust company movement went steadily forward, and encroached more and more upon the field of the regular banks. To do this they had to overcome not only the hostile criticisms of the financial press, but the force of State legislation as well. In Pennsylvania, for example, the amendment to the Corporation Act in 1881,[49] forbids trust companies to do a banking business. For many years the question was under discussion, whether Pennsylvania trust companies might legally receive demand deposits. As late as 1898 the Law Editor of The Bankers Magazine expressed the opinion that it was not legal for them to do so.[50] The companies actually did receive such deposits, however; and in 1900 their right to do so was established by decision of the United States Circuit Court of Pennsylvania.[51] It is still illegal for Pennsylvania trust companies to discount commercial paper, but they may *buy* it!

Another instance of encroachment upon the functions of banks in spite of questioned legality is furnished by the Missouri trust companies. In 1894 the Supreme Court of Missouri decided that trust companies are *not banks*, and may not receive deposits as banks.[52] This

48 January 10, 1885. Vol. XL, p. 42.
49 Laws of Pennsylvania, May 24, 1881. Act 26, sec. 1.
50 Bankers Magazine, Vol. LVI, p. 100.
51 Cator, p. 18. Bankers Magazine, Vol. LXII, p. 561.
52 Bankers Magazine, Vol. L, p. 60.

Digitized by Google

failed to settle the matter, however. Four years later the same court passed upon the question again, and concluded that trust companies may not receive demand deposits, *unless they pay interest.*[53] Hence the receiving of demand deposits by trust companies in that State now has legal sanction. No rate being specified by the court, the payment of merely nominal interest would suffice, so far as the law is concerned. There is a law of competition, however, which is another thing.

The examples just related illustrate how the trust company, unlike the National bank, has developed according to natural rather than artificial laws. The law and its interpretation have been moulded to suit the ascertained needs of the business, instead of the business being moulded to conform to the law. There are those who believe that this process has evolved a more scientific system of banking than that of the banks themselves.

General Statutes Regulating Trust Companies.

During the decade of the eighties the growing attention to the trust company as an institution was further evidenced in some of the States by the passage[54] of general laws regarding this class of institutions. New York passed such a law in 1887, since which time companies have usually been incorporated under the general law, although some have been organized under special acts.[55] We have already referred to the Corporation Act of 1881 in Pennsylvania, which dealt with trust companies. It was further amended in 1885.[56] Illinois passed a trust company law in 1887.[57] Several States passed laws during this period for the purpose of regulating or restricting the business of trust companies. This subject will be discussed more at length in a subsequent chapter.

Growth of the Companies in Numbers and Resources.

Returning now to the consideration of the growth of trust companies in number and resources, the task is much simplified by the availability of statistics which, while incomplete, furnish the means of forming a tolerably accurate idea of the progress of these institutions.

From the year 1875 on, the reports of the Comptroller of the Currency give statistics of the trust companies reporting to that official. These reports do not include all of the trust companies in existence at their several dates, as the Comptroller had no authority to compel the sending of returns from State institutions. The number of companies reported for the year ended June 30, 1875, was thirty-five. This num-

53 Ibid., Vol. LVII, p. 16.

54 The tendency to the passage of general laws was not confined to trust companies, however, but extended to other State banking institutions. See "State Banking in the United States," by George E. Barnett, p. 22 and passim.

55 Circular published in 1900 by the New York Superintendent of Banks, giving historical sketch and digest of banking laws.

56 Act of June 11, 1885.

57 Act of June 15, 1887.

Digitized by Google

ber is, of course, somewhat less than the number actually doing business, and it is impossible to learn the exact number. The United States Mortgage and Trust Company, of New York, has annually, since 1903, published a book entitled "Trust Companies of the United States," which gives complete returns from practically all of the trust companies in existence, with the dates of their organizations. An examination of this work shows that of the companies reported, fifty had been organized during or before the year 1875. But, as the writer has ascertained by correspondence with these companies, some of them were not organized at first as trust companies. On the other hand, as already shown, a number of trust companies organized in these early years have gone into liquidation, and their names do not appear in the book above mentioned. A rough estimate, however, shows that these two considerations about offset each other, and the number of companies in existence in 1875 was probably nearer fifty than thirty-five. The former number is insignificant enough as compared with the other financial institutions at that time. As against the thirty-five trust companies, there were in 1875, according to the Report of the Comptroller of the Currency for that year, 551 State banks, 771 Savings banks and 2,087 National banks. The trust companies had deposits of $85,000,000, while the State banks had $166,000,000, the Savings banks $924,000,000 and the National banks $679,000,000.

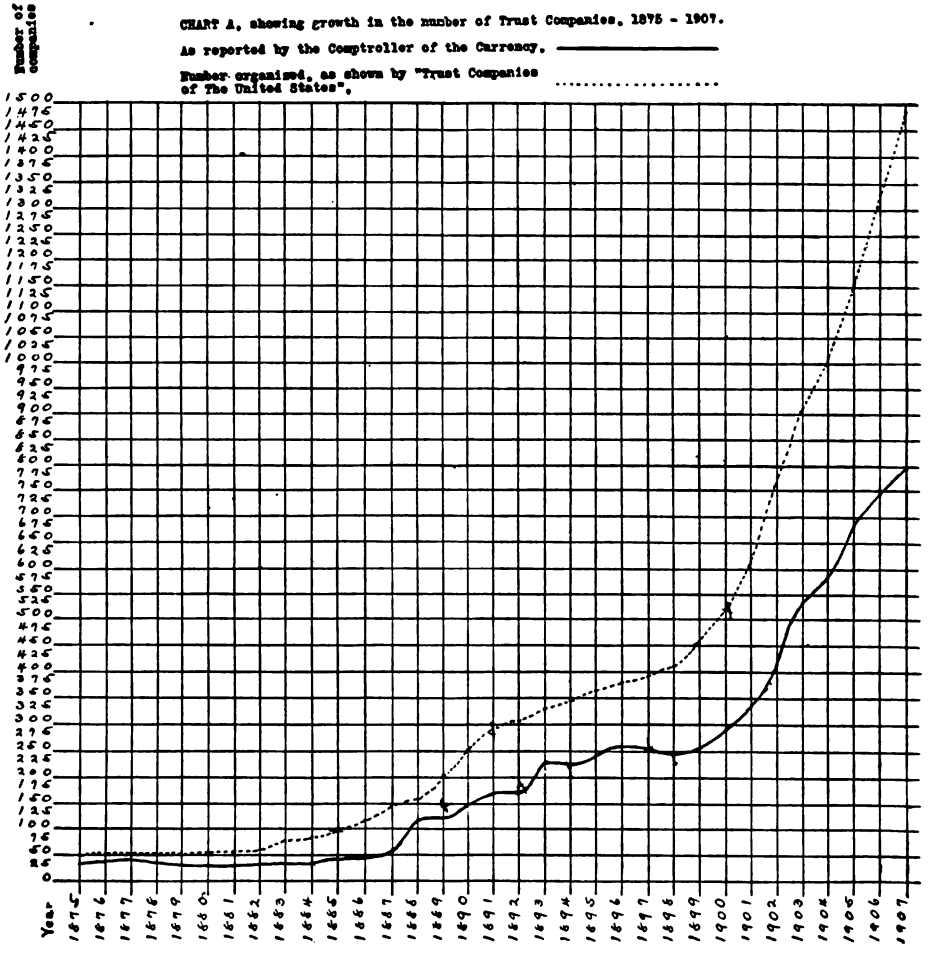
Of the thirty-five trust companies reported, New York State had twelve, Connecticut ten, Pennsylvania seven, Massachusetts five and Rhode Island one. The incompleteness of this list is shown by the fact mentioned by the Comptroller, that while Illinois is credited with no companies in the list, the Financial Editor of the "Chicago Tribune" reported that there were in Chicago, June 30, 1875, five trust companies, with aggregate deposits of $5,688,574.[58]

A general idea of the growth of trust companies from this time on will be gained most easily by reference to the charts presented herewith. Chart A is designed to show the growth in the number of trust companies year by year. The heavy line follows the number of companies in existence each year as reported by the Comptroller of the Currency. The dotted line follows the total number of companies organized at the close of each year, as shown by figures compiled by the writer from the work "Trust Companies of the United States, 1903," already mentioned. The heavy line shows less than the actual number of companies in existence at any given time; because, as already stated, the reports of the Comptroller do not contain complete reports of all the trust companies in the country. It is probable, however, that this line does indicate pretty accurately the relative gain, from year to year, in the number of companies; and this is the essential thing that the chart is intended to show. It will be noticed that the general trend of the two lines is the same.

58 Report of U. S. Comptroller, 1875, p. XCVII.

Digitized by Google

The heavy line shows interruptions in the increase of the number of companies, in the years 1889, 1892, 1894, 1897 and 1898. For details of this kind, however, it is not safe to trust the chart, owing to the incompleteness of the statistics on which it is based. The dotted line shows that there was no year since 1881 in which no new companies were organized. This line would show no interruptions in the increase of companies, if there were any, because it is based on figures showing only the number of companies organized in each year, taking no account of companies which ceased to exist. Following the general trend of the lines, and averaging their courses, it will be seen that there was no marked change in the number of companies until about 1885, when there began an increase which reached its climax about 1891. From 1891 to the beginning of 1899 the increase went on, but at a less rapid rate. From 1899 to 1907 inclusive, excepting the years 1903, 1904 and 1906, the in-



Digitized by Google

crease has been at a very much greater rate than in any of the preceding years. It seems probable that the considerable increases in the heavy line in 1888 and 1893 are due not to an actual increase in the number of companies existing so much as to greater success on the part of the Comptroller in getting reports from companies which had not hitherto reported.

The following table shows the number of companies at the dates given:

Year.	According to Comptroller's Reports.	According to "Trust Companies of the United States."
1875	35	50
1880	30	54
1885	40	99
1890	149	255
1895	242	364
1900	290	518
1905	683	1156
1907	794	1480
1908	842	1470

The striking thing about the table is the remarkable growth in the number of companies since the year 1900. While the number of companies doubled between 1890 and 1900, in the seven years 1900-1907 the number increased 504, or about 174 per cent., according to the Comptroller's figures, and 962, or about 186 per cent., according to the other authority.

The figures for 1908 reflect the effects of the panic of 1907, which put an abrupt stop to the organization of new companies, and caused the liquidation of a number of old ones.

Chart B shows the growth of individual deposits of trust companies, and also of Savings banks, State banks and National banks. Following the course of the heavy line, which shows the increase of trust company deposits, we find much the same general features as in the line showing the growth in the number of companies, save that there is a considerable gain from 1880 to 1885. Especially marked is the increase from 1898 to 1902, inclusive.

Comparative Growth of Banks and Trust Companies.

An interesting thing is the coincidence in the general features of the lines showing deposits of trust companies and of State banks. It is also to be noted that from 1897 all four classes of financial institutions had increases of deposits much greater than ever before. This does not seem to corroborate the popular impression that the trust companies are making their gains by taking business from the regular banks. It rather indicates that the trust companies are sharing with the others in a general prosperity that is unprecedented.

The following table gives the individual deposits of the same four classes of institutions for the years named, as reported by the Comptroller of the Currency:

Digitized by Google

Year.	Trust Companies.	State Banks.	Savings Banks.	National Banks.
1875	$85,000,000	$166,000,000	$924,000,000	$679,000,000
1880	90,000,000	209,000,000	819,000,000	888,000,000
1885	188,000,000	344,000,000	1,095,000,000	1,117,000,000
1890	336,000,000	553,000,000	1,525,000,000	1,594,000,000
1895	547,000,000	712,000,000	1,811,000,000	1,715,000,000
1900	1,028,000,000	1,267,000,000	2,450,000,000	2,602,000,000
1905	1,980,000,000	2,365,000,000	3,093,000,000	3,882,000,000
1907	2,061,000,000	3,068,000,000	3,495,000,000	4,480,000,000
1908	1,867,000,000	2,937,000,000	3,479,000,000	4,375,000,000

It thus appears that during the ten years from 1890 to 1900, the Trust Companies gained in individual deposits $692,000,000, or about 206 per cent.; the State Banks, $714,000,000, or about 129 per cent.; the Savings Banks, $925,000,000, or about 61 per cent., and the National Banks, $1,008,000,000 or about 63 per cent. The amount of the gain for Trust Companies was less than that for the other classes of institutions, but the percentage of gain was much larger.

During the seven years from 1900 to 1907, the gains were, for Trust Companies, $1,033,000,000, or about 100 per cent.; for State Banks, $1,801,000,000, or 142 per cent.; for Savings Banks, $1,045,000,000, or 43 per cent., and for National Banks, $1,878,000,000, or 72 per cent. During these years, therefore, the amount of gain in dollars was less for Trust Companies than for any of the other classes, while the percentage of gain was greater than that of any but the State Banks, which made a remarkable gain.

The figures for 1908 show that all the institutions lost in deposits during the panic of 1907, but the trust companies lost most heavily.

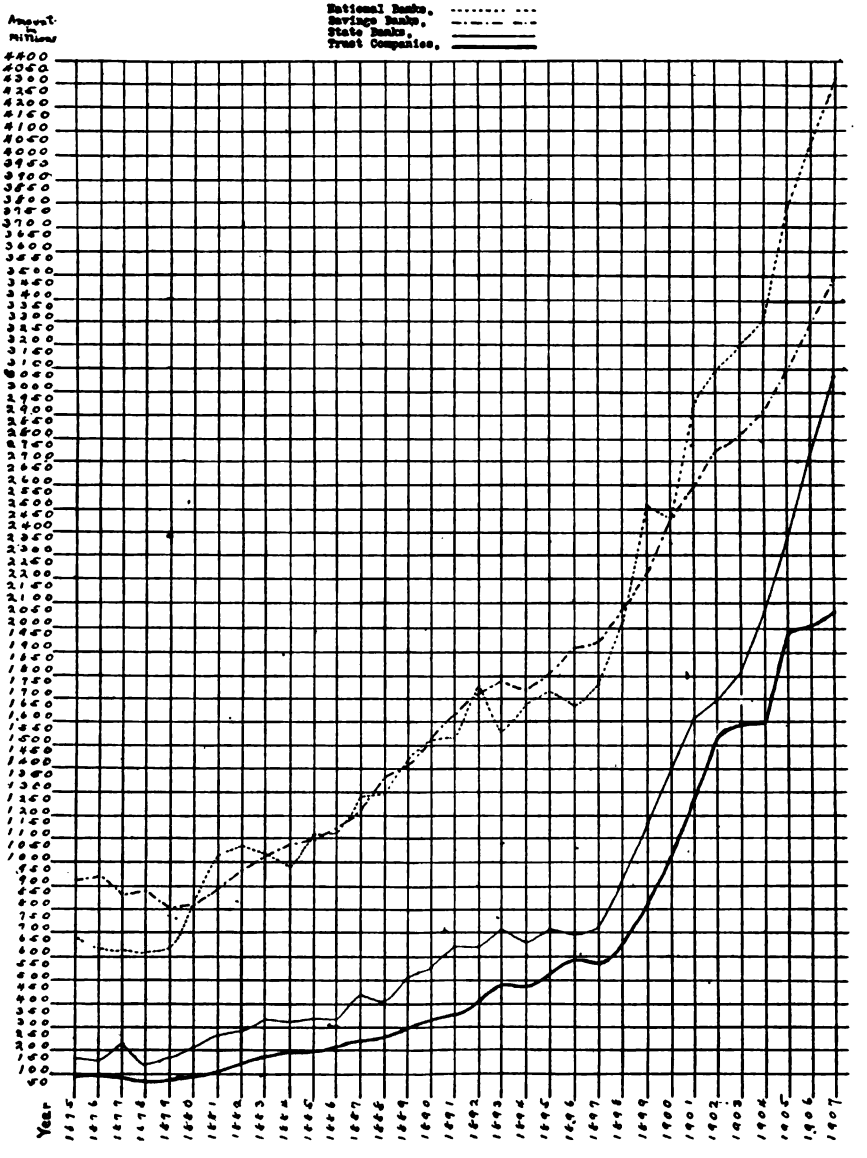
As regards a comparison of the figures for Trust Companies and for the other financial institutions named, it is important to bear in mind that the reports of the Comptroller give the statistics for *all* National banks, and that said reports are fairly complete for State Banks and for Savings Banks; while the statistics for Trust Companies are very far from complete. Thus, the Comptroller's report for 1907 gives the total resources of the Trust Companies of the country as 3,073 millions, whereas the figure given by "Trust Companies of the United States" is 4,285 millions. The Comptroller's report for 1907 contains figures for but one Western State,—Kansas, and for but one Southern State,—Kentucky. It omits a number of important Trust Company States, among which are California and Ohio, the combined resources of whose Trust Companies in 1907 were not less than 324 millions. This incompleteness is not the fault of the Comptroller, but is due to the fact that he has no authority to compel the making of reports of Trust Company statistics by the different States.[59]

---

59 As another instance of incompleteness, take the Report for 1897. Two hundred and fifty-one companies are reported, with total deposits of $566,922,205. But the Comptroller calls attention to an investigation made by the New York Financier of returns nearest to January 1, 1897, showing 458 companies, with deposits of $675,100,000. (See Comptroller's Report 1897, page XXXVIII.)

Digitized by Google

CHART 2. showing growth of individual deposits of banks and trust companies in the United States, 1875 - 1907, as given in the Reports of the Comptroller of the Currency.



If the reports gave returns from all Trust Companies of the country, the above figures for amount of gain in deposits would, of course, be increased. What the effect would be upon the percentage of gain is uncertain.

The growth of deposits of all the financial institutions was checked in 1903, but the chart shows that according to the Comptroller's figures

Digitized by Google

the Trust Companies suffered the most. Their growth also appears to have been checked during the years 1906 and 1907. The chart does not show the effect upon deposits of the panic of the Fall of 1907, as the statistics are based on reports made during the Summer of 1907.

BANK AND TRUST COMPANY SUSPENSIONS, 1893-1907.

(Figures furnished by Bradstreet's.)

NUMBER OF COMPANIES SUSPENDED.

Year.	National Banks.	State Banks.	Savings Banks.	Private Banks.	Loan and Trust Companies.	Totals.
1893	154	184	50	196	14	598
1894	24	36	8	18	3	89
1895	21	57	18	37	2	135
1896	42	65	20	62	8	197
1897	21	24	17	41	2	105
1898	4	12	5	28	2	51
1899	7	5	5	18	2	37
1900	3	8	2	30	..	43
1901	5	13	6	32	..	56
1902	..	8	3	16	2	29
1903	11	28	1	44	6	90
1904	16	23	10	43	4	96
1905	15	14	5	25	4	63
1906	4	19	2	17	3	45
1907	14	28	6	24	17	89
Totals	341	524	158	631	69	1723

BANK AND TRUST COMPANY SUSPENSIONS, 1893-1907.

(Figures furnished by Bradstreet's.)

INDICATED TOTAL ASSETS.

Year.	National Banks.	State Banks.	Savings Banks.	Private Banks.	Loan & Trust Companies.	Totals.
1893 ...	$84,493,433	$43,168,979	$18,763,938	$23,497,164	$14,357,500	$184,281,014
1894 ...	3,485,650	2,773,724	3,029,508	1,186,750	510,000	10,985,632
1895 ...	3,172,894	3,891,852	10,161,649	1,510,000	155,000	18,891,395
1896 ...	22,951,523	7,521,269	8,119,000	5,024,040	3,892,279	47,508,111
1897 ...	6,721,000	2,401,150	3,867,098	2,369,714	375,000	15,733,962
1898 ...	2,701,680	1,791,100	1,196,300	1,555,254	5,074,486	12,318,820
1899 ...	9,822,222	168,000	821,332	1,893,072	4,778,000	17,482,626
1900 ...	1,025,000	1,131,396	381,000	1,373,114	.....	3,910,510
1901 ...	4,753,105	1,312,000	596,000	3,537,880	.....	10,198,985
1902 ...	.....	348,000	2,908,012	597,709	28,765	3,882,486
1903 ...	8,537,907	2,187,391	35,000	3,732,557	12,764,000	27,256,855
1904 ...	6,392,424	2,939,855	1,578,068	3,498,700	1,523,575	15,932,622
1905 ...	6,639,000	1,365,100	2,028,776	2,015,920	6,390,055	19,438,860
1906 ...	1,705,000	2,768,815	25,000	4,075,320	4,490,000	13,064,135
1907 ...	42,522,429	19,678,339	7,191,686	14,879,942	104,192,210	188,464,606
Totals	$204,923,267	$93,446,970	$60,702,367	$70,747,145	$158,530,870	$588,350,619

ESTIMATED LIABILITIES.

1893 ...	$68,687,994	$38,138,323	$18,152,136	$22,929,225	$22,388,000	$170,295,678
1894 ...	4,315,900	3,484,600	3,445,000	1,712,450	1,012,000	13,969,950
1895 ...	3,971,462	4,922,631	11,167,887	2,537,718	165,000	22,764,698
1896 ...	27,544,250	9,933,742	8,457,000	6,654,670	4,089,372	56,679,034
1897 ...	7,920,999	3,060,811	5,077,222	4,085,477	550,000	20,694,500
1898 ...	2,962,863	2,479,000	1,331,627	2,822,890	6,401,412	15,997,792
1899 ...	12,094,572	215,000	1,322,737	4,847,261	6,025,000	24,504,570
1900 ...	1,965,304	1,475,855	462,649	4,683,660	.....	8,587,468
1901 ...	5,684,720	1,984,053	792,725	7,161,339	.....	15,622,837
1902 ...	.....	825,542	3,821,762	1,709,773	51,661	6,408,738
1903 ...	9,445,199	2,746,533	235,000	7,286,777	14,438,168	34,151,677
1904 ...	7,767,424	4,362,442	1,972,000	5,481,200	2,756,300	22,339,366
1905 ...	9,260,277	2,209,887	2,613,776	3,089,423	6,846,377	24,019,740
1906 ...	2,829,000	5,457,503	45,000	6,822,952	7,725,000	22,879,455
1907 ...	39,201,694	19,852,940	6,674,071	22,199,622	118,338,036	206,266,363
Totals	$203,651,658	$101,148,862	$65,570,592	$104,024,437	$190,786,326	$665,181,875

Digitized by Google

Failures of Trust Companies.

Statistics regarding failures and suspensions of trust companies are not obtainable prior to the year 1893, that being the year in which such reports were begun by the Bradstreet Company. The accompanying tables, furnished to the writer through the courtesy of Frank Greene, Managing Editor of "Bradstreet's", show the number of suspensions reported, and the estimated assets and liabilities involved therein for the years 1893-1907 inclusive.

As to the number of failures, the table shows that during the fifteen years there were 1,723 suspensions, of which the National banks contributed 341, the State banks 524, the savings banks 158, the private banks 631 and the "loan and trust companies" 69. It thus appears that the average number of suspensions per annum for the different classes of institutions was as follows:—

National banks	22 7-10
State banks	35
Savings banks	10½
Private banks	42
Loan and trust companies	4 6-10

It will be seen from this that the number of trust companies suspended was small in comparison with the number of other banks suspended. It is also of course true that there were not so many trust companies in operation as there were of the other classes of banks. According to the best figures obtainable, the average number of the different classes of institutions that were doing business during the fifteen years covered by the table was about as follows:—National banks, 4,487; State banks, 5,376; Savings banks, 1,084; Loan and trust companies, 750. On this basis, the percentage of failures (or the ratio of the number of companies failing to the number of companies in business), was about as follows:—

National banks	½ of 1 per cent.
State banks	65-100 of 1 per cent.
Savings banks	97-100 of 1 per cent.
Loan and trust companies	61-100 of 1 per cent.

From these figures, it appears that the proportionate number of trust company suspensions was less than that of any class of financial institutions except the National banks.

Regarding the losses involved in the failures, the showing of the trust companies is, on the face of the figures, not so good, the losses assigned to them exceeding those of the other institutions, except the private banks. The figures represent, however, not the ultimate losses, but the best estimates of the probable results obtainable at the time. An examination of the figures for the year 1907, which account for 62 per

Digitized by Google

centum of the entire estimated liabilities for the fifteen years, shows that they give a greatly exaggerated idea of the actual losses involved. Of the 17 trust companies reported suspended in 1907, at this date (November, 1908) about one-half have re-opened for business, while several others are being liquidated without loss to depositors. These include the larger companies which suspended, with one exception. As to the figures involved, three companies,—the Knickerbocker Trust Company of New York, the Union Trust Company of Providence and the California Safe Deposit and Trust Company of San Francisco,—account for considerably over $100,000,000 of the $118,000,000 liabilities shown in the table, and the first two of these have long since resumed business and are to-day prospering, no loss to depositors having resulted. One competent authority estimates the actual losses due to failures of trust companies during the year following the panic of 1907 at about five and one-half million dollars, of which eighty per centum was due to the failure of one company,—the California Safe Deposit and Trust Company.

New York having been the storm center of the panic of 1907, it is significant that on August 10, 1908, the Superintendent of Banking of the State of New York, Clark Williams, reported—"So far as the records of this Department are concerned, we know of no case of a failure of a trust company resulting in loss to the depositors."*

So far as the safety of trust funds is concerned, the statement made some years ago at a meeting of the Trust Company Section of the American Bankers' Association, that not a dollar of trust funds has ever been lost through a trust company, has never been disputed, so far as the writer knows.

Especial interest attaches to the record of trust companies during and since the panic of 1907, because it was the first severe strain that has been undergone by these institutions since their great development began. On the whole, the record must be pronounced very satisfactory. Although subjected to a strain that was unprecedented, their record compares favorably with that of other classes of financial institutions. The failures which occurred were in no sense ascribable to any inherent weakness in the trust company as an institution; but are accounted for in some cases by the dishonesty of officials and by undue laxity of the State laws under which they operated, and in others by pressure of circumstances which could not be overcome by any kind of banking institution. The same causes brought about the downfall of other financial institutions, including National banks, and State banks in States having the best laws for their regulation and control. The panic of 1907 did, however, emphasize the necessity of careful and intelligent State regulation and control of trust companies, as well as of the other banking institutions.

The statement on the next page gives the aggregates of the principal items in trust company reports from 1875 to 1908. This table contains

* Trust Companies Magazine, August, 1908, p. 495.

Digitized by Google

YEAR.	No. of Comptr. tions reporting.	RESOURCES												LIABILITIES				
		Loans and discounts.	Loans on personal and collateral security.	Other loans and discounts.	State, county and municipal bonds.	Railroad bonds and stocks.	Bank stocks.	Other bonds and stocks.	United States bonds.	Real estate, furniture and fixtures.	Other assets.	Due from banks and bankers.	Cash and cash items.	Total resources.	Capital.	Surplus	Undivided profits.	Deposits.	Due to banks.
1876	35	265,909,174						$37,223,063	$2,066,842	$3,733,357	$2,880,342	$1,237,605	$9,019,016	$322,290,175	$21,854,020	$6,967,693	$852,589	$235,025,371	$121,441
1876	33	70,606,647						15,547,238	16,491,646	4,733,647	2,099,205	5,672,627	2,906,962	127,646,179	21,535,490	3,283,525	534,375	97,537,992	151,766
1877	30	67,946,290						17,960,300	19,998,625	3,544,221	3,410,232	8,025,415	2,796,191	122,612,499	22,347,440	7,164,673	1,229,539	84,218,840	333,189
1878	26	59,369,227						17,296,257	19,446,469	3,700,375	3,413,519	5,536,854	2,862,365	110,543,603	22,066,611	7,925,362	691,651	73,136,578	521,426
1879	32	61,171,877		During these years all Loans and				16,892,239	17,948,856	4,044,295	2,874,164	6,011,889	2,716,631	111,580,151	21,101,576	7,714,316	1,480,254	78,873,219	140,443
1880	39	74,675,537		Discounts were given under the one				18,544,675	19,109,650	5,361,159	1,572,241	4,150,910	3,276,540	126,880,673	18,501,876	6,191,935	4,063,116	98,008,006	150,629
1881	31	101,906,566		heading; and all Bonds and Stocks				17,426,064	18,631,573	7,482,584	1,899,475	6,066,501	4,448,891	156,544,679	19,188,800	6,681,800	4,293,854	111,670,329	238,198
1882	33	122,054,202		other than U. S. Bonds were given				23,578,256	16,934,812	6,877,743	1,378,627	9,054,536	3,427,501	194,986,525	21,553,715	8,384,302	5,853,859	144,841,896	147,179
1883	34	140,022,255		under one heading.				30,322,430	17,437,900	6,567,756	4,246,538	9,561,148	3,870,719	213,342,587	22,773,175	8,812,723	6,788,967	165,378,518	367,006
1884	36	158,018,009						27,879,858	23,371,084	6,152,771	2,841,527	16,517,487	4,512,984	239,871,691	23,923,600	10,191,544	9,619,067	188,745,922	761,888
1885	40	141,542,649						29,750,200	25,376,400	6,789,291	9,022,084	22,658,985	10,040,533	248,389,653	26,423,600	10,696,984	8,566,600	183,417,293	197,892
1886	42	154,322,453						43,316,716	27,985,658	9,774,575	3,439,646	16,166,112	19,644,510	276,314,591	27,644,150	21,671,152	2,849,549	214,963,415	192,243
		Loans on Real Estate.						Other Stocks, Bonds and Mortgages.											
1887	58	16,269,993	$36,544,018	$142,252,813	$178,148	$7,600,348	$122,651	36,423,878	23,787,717	11,067,272	2,949,767	18,796,562	16,322,224	219,125,657	36,356,709	15,541,792	11,351,536	240,190,711	5,606,897
1888	120	46,606,390	175,032,892	29,060,265	2,006,479	15,702,430	660,468	21,300,770	22,899,786	13,961,791	6,313,421	19,791,922	19,783,296	383,653,477	53,243,510	24,106,371	11,946,316	287,878,114	2,046,965
1889	129	52,349,045	193,610,064	44,491,268	3,765,747	19,252,298	737,312	28,676,359	27,193,201	14,455,406	7,795,152	25,024,040	25,236,526	441,268,423	59,445,287	25,583,905	13,199,209	299,612,899	8,013,573
1890	149	54,649,834	209,617,297	61,596,409	2,903,365	26,102,410	1,230,643	40,459,876	24,921,202	16,545,490	9,537,369	23,207,023	19,861,137	545,901,236	70,676,247	34,594,751	12,233,262	336,484,492	9,863,248
1891	171	68,072,641	225,012,133	66,791,341	3,823,297	29,771,125	1,159,776	42,157,066	16,067,015	17,357,300	11,141,239	29,948,272	16,482,267	536,623,202	79,292,889	38,412,197	17,091,648	356,330,060	5,216,772
1892	168	55,068,822	256,413,894	73,760,832	6,484,311	27,617,760	1,606,344	53,516,545	18,069,578	22,617,764	7,767,180	24,975,325	22,600,045	600,244,906	80,645,972	45,824,747	15,943,401	411,659,996	3,771,465
1893	222	31,288,973	307,170,295	74,270,229	5,842,753	11,639,330	668,476	92,187,712	18,486,636	26,245,518	32,217,786	53,352,071	22,216,529	726,964,506	94,567,268	50,468,421	20,863,056	486,244,979	2,090,476
1894	224	58,149,211	233,662,542	82,669,940	5,723,231	11,106,207	678,972	111,301,130	13,449,411	28,654,778	33,909,776	59,632,502	34,377,700	705,196,944	97,068,092	57,663,589	17,639,767	471,226,816	6,757,667
1895	242	50,294,477	221,822,813	162,069,171	3,767,196	5,849,181	493,042	127,360,501	39,667,592	28,871,535	38,914,900	92,620,545	35,861,686	807,963,041	108,963,906	64,178,611	20,622,057	546,652,657	7,164,664
1896	289	70,612,944	249,874,349	141,513,656	5,342,292	12,464,557	707,119	148,348,906	27,400,637	22,163,482	30,100,566	79,356,299	28,967,956	855,232,153	111,146,973	62,444,563	21,869,059	586,465,156	6,149,326
1897	251	63,642,127	236,044,125	$145,942,462	7,677,933	8,706,439	605,219	145,027,677	29,097,761	32,572,077	45,476,227	82,606,800	29,532,449	843,713,745	106,968,253	68,328,967	20,199,300	596,922,206	9,676,735
1898	246	92,178,473	262,790,563	143,196,409	6,449,871	14,626,194	869,198	137,246,654	34,186,440	37,223,470	53,621,720	96,777,994	32,539,184	942,462,179	101,225,555	70,658,684	26,984,962	662,138,397	3,350,315
1899	269	43,640,972	302,173,568	252,217,393	6,689,330	12,450,197	1,198,464	216,352,619	29,596,776	37,890,338	13,554,253	139,072,894	24,795,714	1,071,526,904	104,268,732	79,707,194	28,908,973	835,499,064	2,011,661
1900	290	49,945,197	402,763,092	275,223,548	7,299,672	10,439,000	986,763	306,983,206	1,863,255	39,720,024	17,020,635	152,752,556	30,696,058	1,230,160,343	126,930,545	112,650,902	36,738,536	1,022,322,407	3,563,955
1901	334	59,579,122	607,868,750	272,321,010	10,428,052	21,900,336	3,234,061	354,478,135	2,099,021	42,145,512	18,419,604	191,527,201	25,579,896	1,614,981,606	127,361,704	119,599,196	48,675,283	1,271,081,174	7,763,706
1902	417	87,252,412	693,371,795	411,363,904	12,594,287	17,975,063	2,553,403	412,533,713	1,594,219	50,265,512	27,816,296	231,426,193	33,381,124	1,982,214,707	179,732,581	149,902,172	75,622,242	1,525,387,493	11,589,123
1903	531	94,836,941	830,243,150	378,158,000	15,568,451	21,676,001	3,429,230	538,865,326	2,930,062	62,670,089	48,388,028	252,537,891	51,572,006	2,296,854,063	232,867,736	222,206,091	92,288,243	1,589,298,796	122,666,643
1904	585	110,004,189	855,276,779	382,324,596	13,646,092	32,791,064	4,072,892	640,833,240	1,167,777	67,458,034	54,569,537	278,727,864	64,148,425	2,380,287,747	237,745,488	254,604,898	76,185,178	1,660,222,325	175,177,031
1905	683	144,394,593	965,617,099	439,274,979	17,667,332	31,606,449	4,455,655	732,296,569	1,902,430	74,963,232	59,599,948	324,745,068	69,136,742	2,865,976,479	243,123,622	281,289,339	83,226,363	1,980,884,737	183,788,336
1906	742	166,524,402	896,884,351	547,060,086	17,305,806	46,592,846	10,126,733	684,581,875	1,678,160	96,219,290	123,118,526	289,102,143	80,097,223	2,960,236,534	263,384,237	348,236,524	47,127,096	2,008,937,790	153,290,931
1907	794	174,235,578	823,109,861	694,018,795	21,229,601	31,522,413	6,523,462	736,127,601	1,290,592	91,078,710	263,577,485	289,438,822	109,300,149	3,071,419,360	276,146,081	309,286,644	28,578,358	2,061,623,625	167,972,757
1908	842	153,727,485	521,341,681	404,413,306	20,629,659	29,676,312	4,806,843	651,298,154	655,303	97,112,461	97,312,897	291,573,233	124,377,554	2,865,432,876	278,406,759	370,146,306	46,894,591	1,866,964,314	163,014,678

Digitized by Google

data from which a careful study may be made of various items of management as developed during the last quarter century. In the following table will be found figures dealing with a few of the important subjects.

Principal Items of Resources and Liabilities of Trust Companies, 1875-1908.

Year.	Deposits and due to banks.	Cash and due from banks.	Reserve.	Proportion of cash to total deposits.	Total loans.	Total investments.	Surplus and undivided profits.	Average resources.
			P.c.	P.c.				
1875..	$85,147,012	$10,856,621	12.8	10.6	$65,900,174	$39,409,904	$7,550,560	$3,511,148
1876..	87,969,758	8,671,619	9.9	3.4	76,608,647	35,338,884	8,823,200	3,359,110
1877..	84,549,038	10,826,606	12.8	3.3	67,946,390	37,765,945	8,404,212	3,169,551
1878..	73,658,004	8,399,209	11.4	3.9	59,303,327	36,741,697	8,616,954	3,166,960
1879..	76,013,662	8,727,670	11.5	3.6	61,171,877	34,841,086	9,194,570	3,494,061
1880..	90,158,637	7,536,459	8.4	3.7	74,675,537	37,654,325	10,245,051	4,229,889
1881..	111,905,527	12,454,392	11.1	3.9	101,906,566	33,057,627	11,175,663	5,049,809
1882..	144,988,775	11,492,036	7.9	2.4	132,054,203	42,813,068	14,212,161	6,093,307
1883..	165,645,521	13,431,867	8.1	2.3	140,022,358	47,760,410	15,601,710	6,245,370
1884..	189,507,810	21,030,441	11.1	2.4	158,018,009	51,250,942	19,810,611	6,853,477
1885..	188,615,186	33,499,518	17.7	5.3	141,542,649	55,126,600	19,203,984	6,209,742
1886..	214,255,658	35,804,622	16.7	9.1	156,328,458	71,802,374	24,520,701	6,626,538
1887..	245,797,608	35,617,727	14.5	6.8	196,096,830	72,927,742	27,193,319	5,502,166
1888..	259,925,079	39,580,220	15.2	7.6	250,700,648	72,578,913	35,951,687	3,197,112
1889..	302,626,471	50,320,566	16.6	8.3	291,450,367	76,725,017	38,783,114	3,677,237
1890..	339,319,740	53,168,165	15.7	5.9	327,882,540	95,707,496	46,828,003	3,331,217
1891..	357,540,852	56,430,480	15.8	4.6	356,876,320	93,973,321	55,503,845	3,138,177
1892..	415,431,461	77,575,370	18.7	5.4	385,273,548	106,206,778	61,768,148	3,572,886
1893..	488,934,555	75,568,610	15.4	4.5	462,729,597	128,824,901	70,771,477	3,187,125
1894..	478,055,823	125,010,202	26.1	7.2	374,421,713	142,224,151	75,303,366	3,148,156
1895..	553,756,721	128,482,531	23.2	6.5	433,386,461	177,086,555	84,801,698	3,334,971
1896..	592,617,492	108,314,257	18.3	4.9	462,000,949	201,164,551	84,313,612	3,289,547
1897..	576,598,940	118,139,249	20.5	5.1	445,629,725	201,128,020	89,025,267	3,361,409
1898..	665,488,712	118,317,178	17.8	3.4	539,162,445	193,977,752	97,643,666	3,831,147
1899..	837,510,725	154,868,308	18.5	2.9	599,031,033	266,086,373	105,616,167	4,121,254
1900..	1,031,735,272	219,448,611	21.3	2.9	727,952,137	325,841,086	148,389,339	4,586,760
1901..	1,278,849,880	217,207,097	17.0	2.0	939,765,891	396,222,854	168,284,468	4,835,274
1902..	1,537,476,616	264,819,327	17.2	2.2	1,192,488,311	447,580,690	225,524,514	4,755,911
1903..	1,711,485,439	304,409,977	17.7	3.0	1,303,237,200	579,459,699	314,496,334	4,328,727
1904..	1,775,499,356	442,876,289	24.9	3.6	1,147,605,557	667,511,015	329,789,576	4,068,868
1905..	2,164,645,572	393,880,801	18.2	3.1	1,549,286,662	787,918,435	363,515,702	4,196,159
1906..	2,162,228,621	369,199,366	17.	3.7	1,609,467,839	760,285,420	395,373,620	3,988,181
1907..	2,229,495,792	368,738,970	16.6	4.9	1,601,364,237	785,999,670	397,865,026	3,868,286
1908..	2,029,978,992	515,850,773	25.4	6.1	1,379,481,474	775,875,271	416,039,899	3,403,376

Reserves of Trust Companies.

Of special interest, in view of the recent agitation of the question in New York and elsewhere, is the subject of trust company reserves. The third column of the table gives the reserve carried by the companies each year, the figures representing the proportions of the amounts in the second column to those of the same years in the first column. From 1875 to 1884 inclusive the per cent. of reserve never exceeded 12.8, the lowest reserve reported being in 1882, when it was only 7.9 per cent. After 1884

Digitized by Google

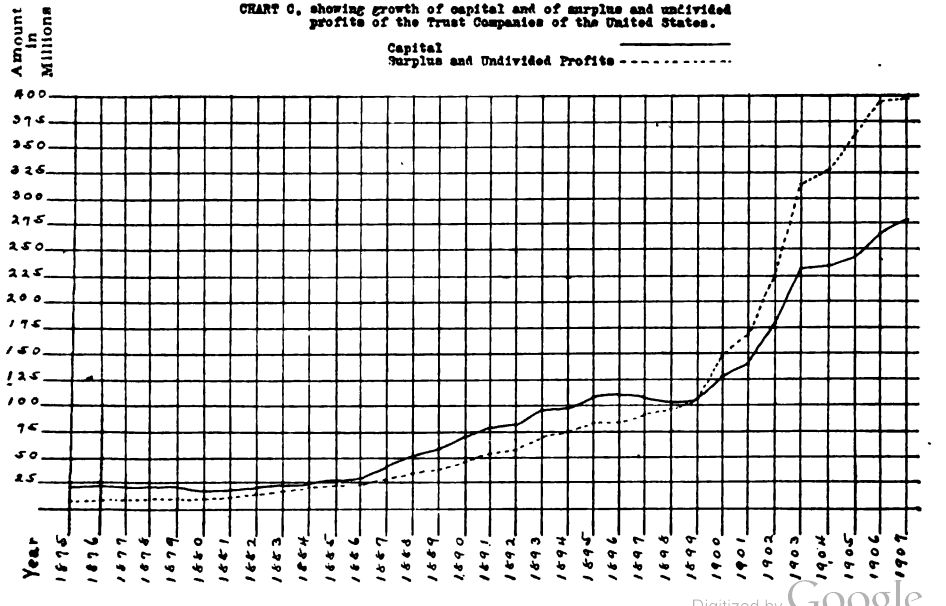
the reserve reported was materially higher, never going lower than 14.5 per cent. (the figure for 1887), and reaching its maximum with 26.1 per cent. in 1894. The average reserve for the thirty-four years was about 16.2 per cent.

The criticisms against the trust companies as to reserve have, however, been directed more especially towards the amount of actual cash carried in the vaults of the companies. In the fourth column of the table are given the percentages of such cash reserves for the several years (including as cash the amount reported for cash items) the figures representing the proportion of cash and cash items to total deposits. For the thirty-four years the average of such cash reserve has been a little over 4.6 per cent. It was highest in 1875, with 10.6 per cent., 1886 being next, with 9.1 per cent. The lowest percentage was in 1901—2 per cent. From 1876 to 1884 inclusive it ranged from 2.3 per cent. to 3.9 per cent. From 1885 to 1897 it was somewhat higher, averaging about 6.2 per cent. Since 1897 it has averaged 3.4 per cent.

Increase in Surplus and Undivided Profits.

A noticeable thing has been the tendency to increase in the surplus and undivided profits as compared with the capital. This has been due in part to the accumulation of earnings, and in part to the tendency in organizing new companies to have a large surplus paid in at the start. Most of the States that have any legislation on the subject require the accumulation of a surplus fund until it reaches a certain percentage of the capital stock; but the accumulation has gone far ahead of any legal requirements. Chart C shows the relative growth of these two items, the

CHART C. showing growth of capital and of surplus and undivided profits of the Trust Companies of the United States.



Digitized by Google

heavy line representing the capital, and the dotted line the sum of surplus and undivided profits. During 1899 the latter became greater than the capital, and has increased in greater ratio since then.

The average resources of the companies appear to have been greatest during the years 1881 to 1887. The writer has been unable to find any special reason for this. It might have been due to reports being received mainly from the larger institutions. During the greater part of the time the resources have averaged from three to three and a half millions. From 1899 to 1905, inclusive, the averages exceeded four millions.

Statistics of Trust Companies in the Various States.

The following table gives the numbers and aggregate resources of trust companies in the various States and Territories about June 30, 1907, the figures having been compiled from "Trust Companies of the United States," whose statistics are the most complete of any published, so far as the writer knows. The list probably includes nearly all companies in existence in the United States at the date mentioned. The reader is reminded, however, that the list intends to include all institutions bearing the name of trust companies, and that many of them do a State banking business only, performing no trust functions:

State	Number of Companies.	Aggregate Resources.	State	Number of Companies.	Aggregate Resources.
Alabama	26	$18,154,422.00	Nebraska	8	1,202,955.08
Arizona	7	2,252,618.01	Nevada	7	5,926,088.53
Arkansas	30	12,057,455.76	New Hampshire	6	3,913,014.80
California	36	102,632,427.65	New Jersey	69	187,379,248.50
Colorado	12	12,281,159.34	New Mexico	6	577,470.17
Connecticut	26	26,407,379.27	New York	88	1,443,494,569.64
Delaware	7	9,581,967.10	North Carolina	39	16,645,343.01
District Columbia	6	34,316,533.95	North Dakota	3	882,438.70
Florida	8	3,743,410.84	Ohio	63	221,640,722.38
Georgia	17	14,253,128.51	Oklahoma	6	494,512.05
Hawaii	4	1,482,147.94	Oregon	14	15,915,399.52
Idaho	14	4,914,255.76	Pennsylvania	272	703,960,646.67
Illinois	64	447,722,506.72	Rhode Island	12	128,575,679.91
Indian Territory	23	3,669,877.26	South Carolina	21	5,206,628.85
Indiana	80	51,685,587.79	South Dakota	9	2,193,845.99
Iowa	33	24,404,098.14	Tennessee	65	42,360,785.13
Kansas	5	2,584,665.61	Texas	43	28,428,542.44
Kentucky	43	29,487,555.93	Utah	3	8,142,114.90
Louisiana	22	60,850,665.65	Vermont	25	21,583,144.50
Maine	35	36,157,238.95	Virginia	21	11,367,369.45
Maryland	20	60,593,834.66	Washington	19	25,782,492.87
Massachusetts	42	232,820,769.51	West Virginia	20	15,732,932.07
Michigan	8	17,859,427.22	Wisconsin	10	7,977,315.82
Minnesota	5	4,366,740.72	Wyoming	5	478,762.22
Mississippi	28	9,825,842.15			
Missouri	39	152,341,256.89			
Montana	6	9,473,079.20	Total	1480	$4,285,782,075.73

It will be seen that in the number of companies Pennsylvania is far in the lead; and as a matter of fact, that State developed the trust company movement earlier and more generally than any other. In the total

Digitized by Google

resources of her companies, however, New York, which is second in the number of companies, is far ahead of any other State. The eighty-eight companies in New York report resources of $1,443,494,569.64—an average of $16,403,347 per company. The two hundred and seventy-two Pennsylvania companies show total resources of $703,960,646.67,—an average of $2,588,091 per company. The big average for New York companies is, of course, due to the great companies of New York city, the largest of which at this date,—The Farmers' Loan and Trust Company, which is also the oldest trust company in the country,—had resources of over ninety million dollars.

Trust Companies in the Larger Cities.

The following table gives the numbers and aggregate resources of the trust companies in the cities of the United States having a population of over 50,000, according to the census of 1900. The figures are compiled from the same source as those in the last table, and are of the date June 30, 1907:

City	Number of Companies	Aggregate Resources.	City	Number of Companies	Aggregate Resources.
Albany, N. Y.....	2	$11,187,828	Nashville, Tenn. ...	5	$7,232,387
Allegheny, Pa.	6	16,592,789	New Bedford, Mass.	1	1,343,126
Atlanta, Ga.	3	4,529,597	New Haven, Conn..	3	2,413,963
Baltimore, Md.	10	56,607,451	New Orleans, La....	13	56,100,552
Boston, Mass.	16	182,577,604	New York, N. Y....	51	1,283,558,153
Bridgeport, Conn. ..	1	1,596,375	Newark, N. J.....	4	35,605,223
Buffalo, N. Y.	3	20,869,299	Oakland, Cal.	4	2,084,452
Cambridge, Mass. ..	3	4,281,431	Omaha, Neb.	2	416,053
Camden, N. J.	5	12,957,296	Patterson, N. J....	5	13,116,260
Charleston, S. C. ..	3	2,060,010	Peoria, Ill.	2	2,262,931
Chicago, Ill.	26	410,207,539	Philadelphia, Pa....	58	345,573,535
Cincinnati, O.	7	41,055,847	Pittsburg, Pa.	34	165,190,683
Cleveland, O.	15	124,758,801	Portland, Me.	5	10,612,699
Columbus, O.	4	8,741,251	Portland, Ore.	6	14,827,158
Dayton, O.	2	4,874,775	Providence, R. I....	6	113,325,604
Denver, Col.	5	8,723,434	Reading, Pa.	5	8,848,983
Des Moines, Ia.	2	4,049,382	Richmond, Va.	3	1,909,427
Detroit, Mich.	4	15,848,997	Rochester, N. Y....	5	52,523,415
Elizabeth, N. J. ...	1	3,442,223	St. Joseph, Mo. ...	3	1,513,577
Erie, Pa.	2	4,422,877	St. Louis, Mo.	12	127,181,401
Evansville, Ind.	3	2,572,719	St. Paul, Minn.	3	1,548,745
Fall River, Mass. ..	1	2,849,756	Salt Lake City, Utah	3	8,142,115
Grand Rapids, Mich.	2	1,549,999	San Antonio, Tex...	4	3,763,276
Harrisburg, Pa.	6	11,384,954	San Francisco, Cal.	6	45,162,262
Hartford, Conn. ...	4	6,995,321	Savannah, Ga.	4	5,526,252
Indianapolis, Ind. ..	7	17,795,224	Scranton, Pa.	2	2,417,818
Jersey City, N. J...	11	40,428,338	Seattle, Wash.	6	11,311,821
Kansas City, Kas...	2	1,108,781	Springfield, Mass...	3	10,197,030
Kansas City, Mo...	4	14,818,866	Syracuse, N. Y.	2	14,695,993
Hoboken, N. J. ...	4	23,260,831	Toledo, O.	5	14,928,838
Los Angeles, Cal...	10	31,525,805	Trenton, N. J.	2	3,457,957
Louisville, Ky.	6	2,217,208	Troy, N. Y.	2	6,882,062
Lowell, Mass.	1	534,120	Utica, N. Y.	2	7,881,649
Lynn, Mass.	3	5,399,622	Washington, D. C...	6	34,316,534
Memphis, Tenn. ...	14	24,986,844	Wilkesbarre, Pa. ...	2	3,647,867
Milwaukee, Wis. ...	3	4,121,785	Wilmington, Del. ..	2	8,084,249
Minneapolis, Minn...	2	2,817,996	Worcester, Mass. ..	1	10,883,180

Digitized by Google

There are eight cities in the above list, in each of which the aggregate resources of the trust companies exceed one hundred million dollars. These are, in the order of such resources, as follows:—

New York	$1,283,558,153
Chicago	410,207,539
Philadelphia	345,573,535
Boston	182,577,604
Pittsburg	165,190,683
St. Louis	127,181,401
Cleveland	124,758,801
Providence	113,325,604

The total resources of the trust companies in these eight cities is $2,752,373,320, or a little over 64 per cent. of the total resources of all trust companies in the country.

Comparison by Groups of States.

An idea of the general distribution of the trust company business throughout the country may be obtained by segregating the statistics by groups of States, as shown in the following table:—*

Groups of States.	Number of Companies.	Aggregate Resources.
North Atlantic	575	$2,784,291,691
South Atlantic	159	171,441,148
North Central	327	934,861,561
South Central	286	205,329,658
Western	133	189,858,016
Totals	1480	$4,285,782,075

Recapitulation.

We have seen that the trust company first came into existence in the United States in 1822, with a single company, which had no competitors for eight years, and only three after fourteen years. These early companies combined the trust business with the insurance business. It was many years later before the formation of trust companies as institutions apart from insurance companies began. After the Civil War a number of companies were organized, and the total number in 1875 was not far from fifty. During the later eighties a very distinct movement for the formation of trust companies began, which was lessened in degree during the early nineties, began again with phenomenal energy about 1897, and has continued in an increasing degree since that year.

*As used in the table, the North Atlantic States comprise Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey and Pennsylvania; the South Atlantic States, Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, and Florida; the North Central States, Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska and Kansas; the South Central States, Kentucky, Tennessee, Alabama, Mississippi, Louisiana, Texas, Indian Territory, Oklahoma and Arkansas; the Western States, Montana, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada, Idaho, Washington, Oregon, California and Hawaii.

Digitized by Google

During its career the trust company has undergone a radical evolution in the character of its business. To its original functions of trustee, agent, guardian, etc., have been added not only more extensive trust functions, such as executor, administrator, fiscal agent, etc., but other duties not contemplated by its originators. Most prominent among these has been the business of banking, which trust companies in many States now undertake to the same extent as do the State banks and Savings banks. The growth of corporate undertakings has brought to the trust company many added duties as representatives of such corporations in various capacities. Since the Civil War many companies have added safe-deposit departments. In some States other lines of work have been added, including fidelity and title insurance.

The conspicuous thing about the development of the trust company is that it has been able, largely through lack of legislative restrictions and because of the general breadth of its powers, to adapt itself to the particular needs of the time and community. When a new field has opened, it has been ready and able to step into that field.

Causes of the Growth of Trust Companies.

Regarding the causes of growth of trust companies, the easiest thing to say is also probably the truest—that they are found in the tendencies of our age and nation. The trust company marks not a revolution, but an evolution in our methods of handling financial matters, and we cannot understand its development without taking into account the great changes which our civilization is undergoing. There is, to begin with, the accumulation of individual wealth—the increase in the number of persons and families having large interests to care for. This is not peculiar to the United States, but the general conditions which the holder of wealth has to meet here are quite different from those of the older countries of Europe, and make it of advantage to find other means than those used in Europe for the care and investment of great estates. A still more important influence has been the tremendous increase in corporate wealth, both in number of corporations and in the amounts under their control. Here are phenomena that are peculiar to the United States, and peculiar to this age. Nothing like the huge corporations formed in recent years in the United States has ever been known before since history began. To care for these institutions some special agency was needed. The trust company proved equal to the emergency. Says one writer: "Without their (the trust companies') agency some of the transactions in modern corporate business would be both cumbersome and difficult. For the success of schemes of reorganization of railroad interests and the financing of vast industrial consolidations, their intervention has grown to be at least an invaluable convenience, if not altogether a necessity."[60]

60 Bankers Magazine, Vol. LX, p. 272.

Digitized by Google

Coincident with this tendency to great consolidations—whether as result or as cause will not be discussed here—is the growing recognition among all classes of people of the value of associated effort. Here again the trust company finds itself in harmony with the times. It is an intermediary between great enterprises and the group of individuals who constitute its customers. It takes the amounts, large or small, contributed by the latter, in trust; and the result is a large amount which it can invest in any corporate undertaking to the mutual advantage of all concerned. The political economist will not fail to see here an important service to the community. Surplus funds, useless in small amounts, are gathered together and made to do service in enterprises that benefit the whole people. At the same time, the profits go to those who furnish the capital. The trust company is emphatically an institution of the people. As one writer has pointed out, it enables us to reap most of the advantages claimed for community of ownership, without the dangers that would come with the systems proposed by dogmatists.[61]

Advantages of the Trust Company Form of Organization.

Turning to the specific causes of growth of trust companies as compared with other financial institutions, various writers have pointed out the advantages which the trust company has over its competitors.[62] As compared with National banks, and with some State banks, it usually escapes with less taxation. It attracts deposits by paying interest on them. A third cause, and in the writer's opinion by far the most important one in most communities, lies in the wide range of powers which the trust company may exercise. In most States it may do all of the things that an ordinary bank may do, except issue notes; and it performs numerous duties that other banks may not undertake. These wide powers attract customers. It is a distinct convenience to most people to have all of their financial business attended to under one roof. The trust company will not only care for their banking business, but will also receive their valuables for safe-keeping, care for their property, manage their estates temporarily or permanently, make investments for them, give financial and legal advice, aid in the preparation of wills and execute the same after the decease of the customer.

---

61 Article on "The Trust Company," by Charles W. Stevenson, in "The Bankers' Monthly," Sept., 1903, p. 191. Articles by the same writer in "The Bankers' Monthly" for July, August and October, 1903, treat this phase of the subject at some length.

62 See Bankers Magazine, Vol. XLIII., p. 722, and Vol. LVIII., p. 505.

Digitized by Google

CHAPTER II.

THE FUNCTIONS OF TRUST COMPANIES.

THE trust company of today performs a great variety of functions, some of which are peculiar to itself, while many are undertaken by other financial institutions. The most distinctive function of the trust company is undoubtedly that of acting as trustee for various purposes. Historically, this was the first kind of business, aside from insurance, that trust companies were authorized to undertake, and the legislation of those States that have laws on the subject indicates that the lawmakers had in mind such business as affording the essential reason for the chartering of these companies. With hardly an exception, the granting of other powers seems to have been intended by the framers of the laws as merely incidental to or helpful in the carrying out of duties as trustee.

The same intention is evident in the name "trust company"—*i. e.*, a company organized to accept and execute trusts. Webster defines a trust as "something committed to a person's care for use or management, and for which an account must be rendered." Blackstone defines it as meaning, in law, "an estate devised or granted in confidence that the devisee or grantee shall convey it, or dispose of the profits, at the will of or for the benefit of another; an estate held for the use of another." A trustee is a person or corporation to whom a trust is committed. With this in mind, it is not difficult to understand the theory of the trust company—simply a corporation empowered to undertake those special trusts of a business nature that men are apt to commit to others. This is the original and essential mission of the trust company.

Experience has demonstrated, however, that for the proper execution of such trusts the company is under the necessity of carrying on other lines of business which increase its usefulness as a trustee. Thus one function after another has been added, until today the trust company undertakes a great number and variety of duties which justify the descriptive name that has been applied to it of "the department store of finance."

Because of this diversity of functions, trust companies usually carry on their work in departments, the most common division being a threefold one—into banking, trust and safe-deposit departments. Often the banking department is subdivided into the savings and the commercial banking departments, and the trust department into two parts, of which one is devoted to trust business for corporations, and the other to trust business for individuals. The largest companies frequently have other departments than these, sometimes because the volume of business makes a further division advantageous, and sometimes because other lines of business are included. Among the other departments sometimes found are

Digitized by Google

the bond (or investment) department; the mortgage department; the transfer (or registration) department; the real-estate department; the reorganization department; the title-insurance and the fidelity insurance departments. Most companies make some special provisions for women, and some have a special woman's department.

If the word trustee be taken in its widest meaning, the greater part of the functions of the trust company might be included in a description of its duties as trustee. There are certain forms of trustee work, however, which occur so frequently that they have come to be referred to by special names, and it will be convenient to consider the various functions in the following groups:

Business as trustee or agent for individuals, under private agreement.
Probate business.
Investment business.
Real estate business.
Insolvency business.
Business as trustee or agent for corporations.
Business as transfer agent and registrar for corporations.
Corporation reorganization and financing.
Fidelity insurance and title insurance.
Safe-deposit business.
Savings and banking business.
Miscellaneous.

Nature and Variety of Individual Trusts.

The number and variety of trusts undertaken for individuals under private agreement are very great, and new forms of such trusts are being constantly created. They come from many different classes of people—from active business men who have some special matters that they do not care to handle for themselves; from teachers, artists, doctors, clergymen, women and others who feel that their inexperience or lack of time makes it wise to shift financial affairs to other shoulders; from persons whose poor health requires that they live in other climates and leave their business cares behind; from absentee property owners; from the aged, either too feeble to attend to active business or willing to take a well-earned rest; from persons planning to spend some time in travel and who must have a responsible agent to look after their affairs while away; and from others who, either from choice or from necessity, wish to avoid the care of their property either temporarily or permanently.

In such cases the trust company takes entire charge of the property, whether real or personal, or both, just as an individual acting in like capacity would do. It collects interest, coupons, dividends, annuities, pensions, and any other form of income, notes, accounts, bonds, mortgages, land contracts, etc.; if part of the property be real estate, it

Digitized by Google

looks after repairs and improvements, sees that the property is kept rented, keeps up insurance, pays taxes, collects rents; it acts as attorney in fact, executes contracts, leases, deeds, etc. It remits or accumulates the income, reinvests the principal, according to the terms of the contract.

Married women place their separate estates in the hands of the company, either giving it the sole management or retaining such degree of control as they see fit.

It often happens that men wish to provide for wife or children or other dependents a fund which shall be beyond the reach of their creditors and safe from any unforeseen calamities that might befall the donor's estate, so that the beneficiaries may be assured of an income in any event. For such purposes they convey sufficient property to the trust company as trustee, with a definite contract as to the disposition to be made of the principal and income of same.

Similar trusts may be created in favor of benevolent or educational institutions or others to whom the donor wishes to give the income only of an endowment, without placing the latter under the control of the beneficiary. The trust company receives such funds, invests or reinvests the same from time to time as it becomes necessary, and applies the income as directed in the deed of trust.

Trusts may be created for the benefit of one making the trust, either subject to his revocation at any time, or beyond his control. The young or inexperienced sometimes inherit estates, and suddenly find themselves in situations needing experience and wisdom beyond that which they possess. Occasionally persons in active business life find themselves disqualified through accident, sickness or other cause from caring for their business, and turn it over to the trust company.

Persons whose incomes are received at long intervals or at uncertain times may arrange with the trust company to have the income paid to them in equal monthly installments. If the security is ample, the company will sometimes make temporary advances if necessary.

Trust companies are sometimes called upon to act as agents for the payment of such regularly recurring items as premiums on insurance, taxes, etc. In some instances they have undertaken to care for burial lots and graves.

Persons who are to be away for a considerable time appoint the company custodian of valuable papers and securities. This function is of much greater importance than mere safe-keeping. While the owner is away, it may be of the greatest importance to get at the papers. Bonds may be called for redemption, the owner may wish to place the securities as collateral for a loan, coupons may become due, and the owner need the money for them.

Some trust companies do a considerable business in the handling of escrows. They act as temporary trustees of papers, money or other property placed in their hands by one party to be given to a second

Digitized by Google

party upon the performance of a contract, the payment of a certain sum in money or the fulfillment of some other provision determined by the parties to the agreement.

Sometimes estates which have been improvidently managed are placed in the hands of trust companies in the hope that they may be freed from incumbrances and put upon an income-producing basis. In some notable cases the superior facilities of trust companies have enabled them to preserve and make valuable estates that would have been worthless in the hands of the owners.

A new field of business is now being taken up by the trust companies, in the form of trust agreements relating to life insurance. The policies are made payable, or assigned, to the trust company as trustee, and at the death of the assured the company collects the proceeds of the policies, of which it has meantime been the custodian, and applies such proceeds according to the trust agreement. Many insurance companies do not write policies allowing stated payments to beneficiaries, and this plan therefore furnishes the opportunity not otherwise open for the insured to have such disposition made of the proceeds of his insurance.

Trust agreements are also made by which beneficiaries may be paid stated annuities out of the proceeds of life-insurance policies. This arrangement is specially valuable where a man is not able to carry an amount of insurance such that the income alone will support the family. The trust company can so invest the proceeds that a small portion of the principal may be used each year while the balance is kept profitably invested. The fund may thus be made to provide a sufficient income during the probable life of the widow or during the minority of the children. One of the leading companies of the central States advertises that by this plan it is possible to pay an annuity of $500 for forty years out of $10,000 insurance, of $1,000 for forty years out of $20,000 insurance, etc.

It is customary in appointing the trust company trustee to have the fees of the company made a part of the contract, and it may thus be known in advance just how much the expense will be.

While the trust company is a corporation, it has usually succeeded on account of its wide powers and the character of the men in control in maintaining a degree of *personality* which adds to its attractiveness to customers. The confidential nature of many of its duties brings it into close touch with those whose affairs it handles.

It is customary for trust companies to keep all trust funds entirely separate from their general assets; and, indeed, this is required by law in many States. This means that in case of the failure of the company the funds belonging to a particular trust cannot be mingled with the general assets of the company nor levied upon in any way by the creditors of the company. In addition to this, the trust becomes, in case its funds are not intact, a creditor of the company, protected as are its other creditors by its general assets. Trust funds are thus doubly safeguarded.

Digitized by Google

Securities and other property held in trust stand in the name of the company as trustee (etc.) for So-and-so, and thus show on their face that they are not the property of the company.

Probate Business.

The statutes of many States give to trust companies the power to accept and execute duties entrusted to them by will or by appointment of court as administrator, etc. In such capacities the company has the same powers and duties that an individual would have if acting in the same capacity. The manifest advantages which the trust company has over an individual for the performance of such trusts are steadily drawing to it a large portion of this business; and it is safe to prophesy that it will ultimately become the usual practice to entrust the execution of wills and the administration of the estates of the dead to trust companies rather than to individuals.

Business of this kind includes services as executor, administrator, trustee, guardian, committee, conservator.

An executor is a person appointed by the testator in his will to take charge of his estate and dispose of it as directed in the will.

An administrator is an officer appointed by the court having such jurisdiction in the several States to take charge of the estate of one who dies without leaving a will, and to dispose of the same in accordance with the inheritance laws of the State.

An administrator-with-the-will-annexed is appointed by the court to take charge of the estate of a deceased person when no executor has been named in the will, or when the executor named refuses to act or dies.

Acting in any one of these capacities, the trust company assumes entire charge of the estate, subject to the supervision of the court, and after a period varying in the several States, but usually eighteen or twenty-four months, makes a final distribution, according to the terms of the will or the laws of inheritance, as the case may be, and files with the proper public official an itemized statement of all receipts and expenditures under the trust. In winding up the affairs of an estate, the executor or administrator frequently finds it necessary to turn a portion of it over to a trustee appointed to manage it for the beneficiaries or to a guardian appointed to look after the estates (and in some States the persons) of heirs who are minors, or to a committee or conservator appointed to have charge of an estate for heirs who are insane, idiots, habitual drunkards, spendthrifts or incapable for any reason of looking after their own affairs. In any of these capacities the trust companies may act, and it often happens that a given company acting as executor turns over a part of the estate to itself as trustee, guardian, etc., thus gaining for the estate the advantage of continuous management by the same trustee. It may also receive such trusts from other executors or administrators, whether individuals or trust companies.

Digitized by Google

In any of these capacities the trust company may, and often does, act in conjunction with individuals appointed to share the responsibility with it.

In probate business of all kinds the company is accountable to the court for the faithful performance of its duties, and must render complete statements, which become part of the public records. The fees charged do not exceed those of individuals acting in similar capacities, and often are much less. The laws of the several States specify the fees allowed to executors, administrators, etc.

It is common practice for a trust company to tender the services of its officers for the drawing of wills, and to act as custodian of wills until the death of the testator, when it files the will with the proper court; all these services being performed without charge in cases where the company is appointed executor.

Testamentary trusts may be created for any lawful purpose. In acting as trustee under appointment by will, the duties of trust companies do not differ materially from their duties when acting in the same capacity under appointment by private agreement. In any probate capacity it may be necessary to make advances of money in order to save the estate, and this the trust company will do if the circumstances justify it.

Trust companies are generally legal depositaries for others acting as executors, administrators, guardians, etc., and for court funds.

The officer making such deposits with a trust company is, in most States, relieved from any responsibility in case of the loss of the funds through the failure of the trust company. He usually cannot escape this responsibility in case the funds are in his own keeping or deposited with an ordinary bank.

By the appointment of a trust company as agent or trustee during one's life, and its selection as executor and trustee under will, the trustee work of a family may be kept in the same hands from generation to generation.

Investment Business.

In the performance of its other trust work of various kinds, the trust company is often called upon to invest or reinvest trust funds in securities that are safe and that yield as great returns as are consistent with safety. In addition to such demands, and to its needs for the investment of its own funds, many companies find so great a field for dealings in high-grade securities as to justify the establishment of a bond or investment department to handle such business. The operations of this department, aside from its use for the customers of the other departments, do not as a rule differ greatly from those of a first-class bond house that deals exclusively in high-grade securities.

The business of this department touches that of the trust department at many points. Trust funds must be invested as soon as possible after

Digitized by Google

being received. Reinvestments must be made from time to time, for mortgages become due and are paid, bonds mature or are called in for redemption, and the funds thus set free must not be allowed to remain as mere deposits too long, although interest at regular savings rates is allowed on such funds during the interim. The large trust company has excellent facilities for this service. The amount of securities that it must purchase for various interests is so great that it can buy on the best terms, and its opportunities for accurate and immediate knowledge of the securities market are of the best. Often one of its trust estates needs to dispose of securities at the same time that another needs to buy. A large mortgage is often divided among several estates.

Special forms of investment are provided by some companies, the most common form being in the way of bonds secured by real estate mortgages. The company loans on mortgages, sometimes exclusively on property located in its own city, sometimes on property in several carefully-selected cities. The amount loaned varies from forty to sixty per cent. of the appraised value of the property. The protection of title insurance and fire insurance policies is added. The company then issues a series of bonds secured by these mortgages, deposits the latter in trust with some other company, and replaces each mortgage as it matures or is paid by another mortgage for like amount, keeping the total of live mortgages always equal to or greater than the total of the series of bonds. The bonds usually bear four per cent. interest.

Instead of issuing bonds, some companies simply sell the mortgages, giving the purchaser the benefit of the company's experience and judgment in the selection of the mortgages, but assuming no responsibility for the payment of same. Such companies sometimes have allied institutions which will guarantee the payment of the mortgages for a small fee.

Some companies handle investments for customers under investment deposit agreements. The aggregate of the deposits received for such purpose is invested in securities selected by the company's trust committee, and these are held in trust for the depositors, each owning an interest in same determined by the ratio that his deposit bears to the total sum so invested. The income is collected by the company, and the net amount after deducting its fees is remitted pro rata to the depositors at stated intervals.

Customers may purchase securities outright, as they would of any dealer. Or they may appoint the company agent for the investment of moneys, and for the care of securities and the collection of income on same. Savings depositors whose savings have accumulated to a sufficient amount frequently take advantage of the opportunity thus afforded to increase the earnings on their money.

Investments may stand in the name of the company as trustee, thus securing a privacy to their investments which many customers consider an advantage.

Digitized by Google

Real-Estate Business.

Reference has already been made to the services that trust companies render in the care of real estate committed to their charge by private agreement or by will or by appointment of court. The equipment which the company has to maintain in order to do such work satisfactorily often places it in an advantageous position for undertaking a general real-estate agency business. It engages in the purchase and sale and renting of real estate, improved or unimproved, on commission. Like the other departments of its work, this business is frequently of great use to its trust department. Many trust estates have rentable property for which the company must find tenants. Sometimes trust agreements provide that a portion of the funds of the trust must be invested in real estate.

The company is often of assistance to prospective buyers who wish to borrow money in order to complete a purchase of real estate. Its experience and reliability cause it to be called upon to act as appraiser of real property.

Insolvency Business.

Under the head of insolvency business are included the duties of assignee, trustee in bankruptcy and receiver. Trust companies are, in many States, authorized to act in these capacities.

The enactment of the last National Bankruptcy Law in 1898 largely suspended the operation of the State insolvency laws, with the result that assignments have become less frequent than formerly. The duties of an assignee and of a trustee in bankruptcy are similar, and consist in securing a just distribution of the assets of an insolvent person, firm or corporation among the creditors. For this purpose the trust company assuming such duties takes charge of the property of whatever kind, if necessary converts it into cash, pays preferred claims, and distributes the remainder *pro rata* among the creditors, acting all the time under the direction and authority of the court having jurisdiction in the case.

The duties of a receiver may be of quite a different character. A receiver is a person or corporation appointed by a court of equity to take charge of property in dispute. Such appointment does not necessarily imply insolvency. It may be made necessary on account of dissatisfaction on the part of stockholders with the management of the company, on account of any dispute which the partners of a firm or the stockholders of a corporation cannot settle between them, on account of a serious tangle or temporary embarrassment in the affairs of the concern, as well as on account of actual insolvency. It frequently happens that the affairs of concerns become temporarily embarrassed, or that there is such friction between the managers that it becomes necessary to have a receiver to adjust matters. For such duties, as well as for those of assignee or trustee, the trust company is specially fitted, and this

Digitized by Google

class of work has been the field of some of the most successful operations of these companies. The duties require experience, good credit and large financial responsibility. Acting under the authority of the court the receiver is often required for the time being to carry on a mercantile, manufacturing or transportation business. The receivership may be cancelled if the enterprise is put upon a satisfactory basis, and the property be handed over again to its owners. Or it may be neccessary to effect a sale of the property, settle the debts, and pay the balance to the owners. Sometimes, when the circumstances warrant, large advances of money are made, thereby tiding the concern over its difficulties and re-establishing it as a profitable enterprise, or saving the assets for creditors or stockholders. Often the circumstances make advisable a readjustment of corporate indebtedness, and the trust company is peculiarly adapted to the work of formulating plans, recalling outstanding stocks or bonds and issuing new securities.

Sundry Business as Trustee or Agent for Corporations.

It is not too much to say that the affairs of the great corporations of the present day, as well as those of the smaller ones under existing conditions, could be carried on only with the greatest difficulty, if at all, without the aid of some such financial concerns as the trust companies.

Probably the most common function of this kind is that of acting as trustee under a trust deed or mortgage securing an issue of bonds.[63] In signing the trustee's certificate on the bonds, the company certifies to the regularity of the issue, and to the genuineness of the document When necessary it sees to the refiling of the instrument, although the mortgage often specifically relieves the trustee of this responsibility. It does not guarantee the value or the payment of the bond, although the public often seems to think that it does. As a matter of fact, while the form of certification varies somewhat, it never covers more than the regularity of the issue and the genuineness of the document. Most trust companies do, however, make it a point not to authenticate bonds without having reason to believe that the undertaking represented is presumably safe. Unquestionably the best companies do, and ought to, exercise the greatest care in this matter.

In its capacity of trustee under a trust deed, the trust company is charged with the duty of acting as agent and protector of the bondholders. In case of default of the company issuing the bonds, it usually has the duty of foreclosing on the property in the interests of the holders of the securities, and of exercising numerous incidental duties connected therewith.

It is often charged with the custody and management of a sinking fund, either in connection with its duties as trustee under a trust deed, or as a separate undertaking.

---

63 See Chapter XVI.

Digitized by Google

It acts as fiscal or financial agent for corporations of all kinds—States, municipalities, railroads, industrial concerns. It pays bonds, coupons, interest. It may take entire charge of the disbursement of dividends and interest, attending to the publication and mailing of notices, etc.

For syndicate managers, voting trusts, etc., it issues and collects calls for installment payments, and computes and distributes to the proper parties the amounts of their participations in the profits or proceeds.

It acts as depositary of cash and securities, under varying conditions. Underwriting syndicates appoint it depositary and trustee.

It is made agent to receive subscriptions to stocks and bonds, and to deliver the same when issued.

It may receive and execute for corporations any of the trusts that have already been mentioned as undertaken for individuals under private agreement.

Business as Transfer Agent and Registrar.*

Trust companies are very generally used as transfer agent for stocks, and as registrar for stocks and bonds. In the older financial communities the value of such services has come to be so generally recognized that securities not registered by a responsible agent are looked upon with suspicion. The historical reason usually given for the adoption of the custom of having a registrar not connected with the concern issuing the stock, was the discovery some years ago in New York that a prominent railroad president had fraudulently overissued the stock of his company many hundreds of shares. The employment of a responsible registrar makes such a fraud impossible, for the essential function of the registrar is to see that not more than the authorized amount of stock is issued.

The transfer agent assumes the entire work of transferring the stock of a corporation—a duty requiring thorough knowledge of the laws governing such matters, and great care and accuracy in the performance of the details. The cancellation of a single certificate of stock and the issuance of a new certificate often involve the change in ownership of thousands of dollars' worth of property; yet it may be done by a few strokes of the pen.

It is often desirable to register bonds, either as to principal or as to interest, or both. Usually the trust company that acts as trustee under the bond issue also acts as registrar of the bonds. In some communities the same company is often appointed both transfer agent and registrar of the same stock. This is illogical, since the function of the registrar is to operate as a check upon any error or irregularity on the part of the transfer agent.

* See Chapter XVI.

Digitized by Google

Corporation Reorganization and Financing.

Some trust companies handle a large amount of business in the reorganization or financing of corporate enterprises of different kinds. This field is one concerning which a wide difference of opinion exists among managers of trust companies as well as among the general public. There are companies which devote themselves to this business very largely, while others abstain from it absolutely, believing it not a proper field for companies which handle funds in trust.

In the consideration of the problem much depends upon the character of the financing that is to be undertaken. No well-informed person will deny that there is a field for services in this line whose legitimacy is beyond question, and whose performance involves little risk. It is likewise evident that there is a class of operations so risky that no corporation which handles the funds of others ought to undertake them. The temptation to step from one class of operations into the other is sometimes great; and this fact doubtless accounts for the prejudice that exists in some quarters against trust companies undertaking corporation financing of any kind.

When it becomes necessary for any reason to reorganize a corporation having outstanding securities, the trust company offers exceptional facilities for the work. The plan of reorganization must first be determined. If new securities are to be issued the old ones must be called in and temporary receipts given. When the new securities are ready they must be distributed among the receipt-holders in the proper proportions—the determination of which may require careful computation. At the same time an assessment may have to be collected, or a cash or stock dividend be distributed. Fractional shares or bonds may need to be purchased or sold.

When a new corporate enterprise is proposed in any community some one in whom the public has confidence must investigate and report, or else each prospective investor must make investigation for himself. Some one must see that the new corporation actually owns the property which it claims to have; that its title is good; that the securities which it offers to the public are correctly prepared, and that they give the purchaser a real lien upon the property; in short, that the whole proposition is legitimate and made in good faith. The services here outlined appear to be perfectly legitimate, and to involve no risk to the trust company undertaking them other than the risk assumed in accepting any responsible trust.

These services, however, constitute only the preliminary steps in the financing of enterprises. The securities are ready for sale; they must now be sold. It is at this point that the most serious differences of opinion arise regarding the attitude of the trust company. In placing the securities upon the market, the trust company may act, if it acts at all, as a mere agent for the sale and delivery of same; or it may set the

Digitized by Google

stamp of its approval upon them to the extent of recommending them for purchase to its group of customers, or to the extent of purchasing same, in its capacity of trustee, for some of its trust accounts; or it may purchase a portion of the issue for its own account. Here the trust company is clearly treading upon ground which may or may not be dangerous, according to circumstances, but which in any event requires the highest degree of honor and integrity and business judgment of the finest type.

Fidelity Insurance and Title Insurance.

Some of the States empower trust companies to undertake the business of fidelity insurance and of title insurance, but comparatively few trust companies undertake these duties. As a rule, where they do undertake them, they make such work a specialty, and confine themselves mainly to the specialty. The larger part of fidelity insurance business is done by independent bond or surety companies.

Fidelity insurance consists chiefly in becoming surety for or guaranteeing the honesty and fidelity of employees, officers and other persons holding positions of trust and responsibility. Bonds for this purpose were formerly signed by friends of the person holding such position, but the practice is rapidly growing of having such bonds executed by companies who make it their business. Beyond any question the new plan is better than the old, whether from the standpoint of the person bonded, the one signing the bond, or the security afforded the beneficiary named in the bond. The person who is required to give bond feels, or ought to feel, a delicacy about asking his friends to go on his bond. If he does ask a friend to do so, that friend must, if he complies with the request, assume for himself and his heirs a responsibility whose degree is not determinable, which may last for a number of years, and which may involve himself and family in ruin. To the beneficiary under the bond, the individual is not satisfactory as a surety, because, among other reasons, his financial ability is not always determinable with accuracy, and it may be ample to-day and nothing to-morrow. On the other hand, the company which makes a business of fidelity insurance receives compensation of a reasonable annual premium for its services, assumes the risk as a business proposition on the same general principles as the life or fire insurance company, and protects the beneficiary by a capital and financial responsibility that are known. Fidelity insurance companies are also often called upon to sign bonds guaranteeing the financial responsibility of individuals, partnerships and corporations.

A title insurance* policy is "an agreement under which the company agrees to defend, at its own expense, all litigation directed against the title insured by it, and if attacked successfully, it will pay the parties guaranteed the amount of the loss up to the full sum insured for." In short, it is an ordinary certificate of title, with insurance of the title added. This is a comparatively new business, the oldest companies hav-

* See Chapter XII.

Digitized by Google

ing existed only about twenty years, but it is one which is growing rapidly. For its successful performance, a special and elaborate equipment is necessary.

Safe-Deposit Business.*

As already noted, trust companies very generally conduct safe-deposit departments. For this purpose the best companies have specially-constructed vaults in the preparation of which the greatest care is used to insure that they shall be absolutely proof against fire, burglars, mobs and water. In addition guards are on duty twenty-four hours a day, and there are usually automatic alarms to give notice of any trouble. For the keeping of money and valuable papers individual boxes within the main vault are rented, access to which may be had only by the renter or his authorized deputy in company with the vault attendant. For the storage of larger articles of value, vaults are provided in which space is rented by the cubic foot or yard. Many companies maintain delivery wagons, and call for or deliver valuables entrusted to their care. Coupon rooms are provided, where each customer may cut his coupons or examine his papers in absolute privacy. The large companies also provide other conveniences, such as toilet-rooms, reading-rooms, parlors, committee-rooms, etc.

This department is a valuable, if not a necessary, part of the equipment of a good trust company. An increasing number of depositors feel the need of such accommodations, and much prefer to have them under the same roof as their bank or trust company. While the expense of equipping the best vaults is great, it is not all chargeable to the safe-deposit department, since trust companies need large and impregnable vaults for the safe keeping of the securities and other valuables entrusted to them in the other departments of their business.

Superiority of Trust Companies over Individuals Acting in Trust Capacities.

The advantages which the trust company has over individuals for the performance of the various trust duties outlined in the preceding pages are many. The following are among the most conspicuous of these advantages:

The life of the trust company is perpetual—it will live long enough to execute the trusts that are committed to it. On the other hand, an individual to whom a trust is committed may die on the very day that he undertakes the trust. To install another individual trustee will then involve delay and additional expense—perhaps serious loss. And when it is done, there is no guarantee that he will not die, making another change necessary. Even if the individual lives, he may for various reasons resign the trust, or may become incapacitated through sickness or other cause.

* See Chapter VIII.

Digitized by Google

The trust company has an established office and can always be found when needed. The individual is sometimes difficult to locate.

The trust company is always at its place of business every business day of the year. It does not take vacations, does not go away on business trips, does not get sick.

The trust company is organized especially for carrying on such work, which is therefore not secondary to its own business, but is a part of its business. If an individual is competent to carry on such work it is because he has had a successful training in looking after his own affairs, and his success is usually due to the fact that he has given his business his undivided attention. If he undertakes the trust it must be as a thing secondary to his own business, or else he must neglect the latter. Finding that he has not the necessary time to look after details, he may turn them over to an incompetent employee.

Being organized for the work, the trust company has all the necessary equipment—officers and clerks trained for the service, conversant with laws and forms and methods of procedure, vaults for the safe keeping of valuables, correct forms for the keeping of accounts, books to keep track of due-dates of securities and times for the payment of taxes, insurance, premiums, etc. It does not forget.

It is the trust company's business to understand the work. It does not make mistakes due to ignorance, and would be responsible if it did. It has the benefit of a large experience in the work it is undertaking. Very often individual trustees or executors, however honest and faithful, make mistakes that are costly or entirely disastrous.

For the making of investments in the name of the trust, the trust company has advantages which few if any individuals have. The matter is determined by a committee of men trained in such work, and with every facility at their command for keeping in touch with conditions and knowing something of intrinsic values. The extent of the company's operations also enables it to buy on better terms than the individual can.

The trust company gives to the trust, without extra cost in ordinary matters, the benefit of the best legal advice. It unites the advantages of the advice of a number of experienced counselors with the promptness in action of a competent individual.

The trust company is, in most States, subject to examination by State authorities. Its books are always open to inspection by the proper persons. They are intelligible and kept up to date. The individual trustee under private appointment is not usually subject to examination; and when he is, his books are often in a tangle.

The superior facilities of trust companies often enable them to administer trusts with far greater economy than is possible to the individual trustee. Expenses are often much less, while the company is usually in position to secure a greater income for the trust than could the individual. The latter must give a bond, the cost of which must be borne by the estate; while the trust company's assets and special deposit with the State protect the trust without extra cost.

Digitized by Google

Frequently the interests of the estate—perhaps its very preservation—depend upon temporary advances of money. The trust company is in position to make such advances; few individuals are.

Individuals are often subject to personal prejudices, sympathies or influences which lead them into unwise uses of the property. The trust company is not subject to these things.

The most important consideration of all is that of safety—the absolute safety of the property. Here the advantages offered by the trust company as compared with the individual are unquestioned. Besides the State supervision just referred to, the trust company protects its customers by a large capital and surplus, and in most States by a deposit made with the State officials to guarantee the faithful performance of its trust duties. These things amply insure against loss due to possible dishonesty on the part of the company's officers or employees. The company as an institution cannot possibly be dishonest or unfaithful. It has nothing to gain and everything to lose by such a course. It is to continue in business for a long term of years or perpetually. Its success depends upon its reputation for integrity and faithfulness. At a recent meeting of the Trust Company Section of the American Bankers' Association, it was stated that there had never been a trust fund impaired by a failure of a trust company having control of the fund. Instances of loss to depositors in the banking department there have been, though not many; but the trust funds are so safeguarded that the loss to them is well-nigh impossible. There may be loss to the ordinary creditor of a trust company without in the slightest degree impairing its trust funds, which are kept separate and are not a part of its assets.

On the other hand, losses through individual trustees, executors and administrators have been numerous. How often have the papers told of instances where individuals serving in such capacities have proved unfaithful or fatally incompetent! Men of reputation for unquestioned integrity have been led through speculation or embarrassment in their own affairs to borrow the funds entrusted to them with the full intention of repaying the loan in a few weeks or months, only to find that such restitution is impossible, that they are defaulters, and that the widow and orphan are left penniless through their unfaithfulness. Others, wilfully dishonest, have squandered the funds entrusted to them until every cent was gone and the beneficiaries of the trust were left in dire need. Bonds furnished by these men have often proved worthless; and where ultimately found good, great expense of litigation has been incurred, and the property has been tied up pending settlement of suits.

Business of Banks and Trust Companies Compared.

Trust companies carry on the banking business, and in the great majority of cases this business constitutes the largest part of their duties. The banking department is usually divided into the department

Digitized by Google

of commercial accounts, in which the business is similar to that of the National bank with the exception of note issue, and with the exception in many States of discounting paper; and the savings department, in which the business is identical with that of the savings department of the incorporated Savings banks of the central States, and not materially different from that of the mutual Savings banks of the East.

In view of the statement just made, the question naturally arises, "What is the difference between the trust company and the bank?" This question has been discussed to some extent in the periodicals and in the circulars of trust companies. In these discussions are represented diametrically opposite views; namely, that there is no difference between the two institutions, and that there is a wide difference. The variety of opinion arises from the fact that different writers tell of the particular trust companies with which they are familiar, and which differ from each other; and also—and more generally—from the fact that some discuss the question from the theoretical side, while others, disregarding the theory, speak of the actual practice as they find it.

So far as concerns business other than that of the banking department, the foregoing discussion of the functions of trust companies reveals an important difference between these companies and banks. While it is true that some of these functions have been and still are carried on to some extent by some banks, the tendency is to leave this field wholly to trust companies, while many of these functions may not legally be undertaken by banks. Allowing for exceptions, it may be said without fear of contradiction that the functions thus far described are distinctively those of trust companies.

As a matter of theory there are important differences between the business of the banking department of trust companies and that of State and National banks. In theory and in early practice the banking department of the trust company was merely incidental to its other functions, being maintained to care for the funds coming to it in trust. The trust company is a depositary for the inactive and accumulating funds of the community, the bank for the active funds—the funds used in business. It follows that the natural depositor of the bank is the business man, or firm or company, whose funds are continually in use, quickly turned over, and who expects in return, not interest, but accommodation in the way of discounts. The natural depositor of the trust company, on the other hand, is the person or concern whose funds are not in active use, and who wishes a place for the safe-keeping and accumulation of same. A prominent writer on trust company subjects[64] has classified trust depositors, as distinguished from bank depositors, as follows:

---

64 Breckinridge Jones, President of the Mississippi Valley Trust Co., St. Louis. His paper on "The Trust Company Question," delivered before the Missouri Bankers' convention in 1892, and published in pamphlet form by his company, is a masterpiece, and has been widely copied. So far as the writer knows, it was the first published study of the question. The writer acknowledges his indebtedness to this paper for many of the points here given.

Digitized by Google

"1. The laborer, mechanic, clerk, teacher—all those who work for wages or on salary.

2. The capitalist, the professional man, the married woman who has a separate estate.

3. The business man who wishes to separate his private income or the surplus profits of his business from his general business capital.

4. The corporation, public or private, that is accumulating a sinking fund, or any individual who is husbanding a balance to pay a debt.

5. The executor, administrator, curator, guardian, assignee, receiver, trustee under deed or will or order of court.

In short, all such who wish their daily deposits to draw interest."

A study of this list reveals a class of accounts entirely distinct from those handled by the ordinary bank, and a class of accounts, too, for which little provision is made by National banks or by the old-time State banks.

These trust depositors expect from the trust company in return for their accounts compensation of quite a different kind from that which the bank depositors expect from their bank. Their moneys are placed in the care of the company for accumulation; they want interest on their funds as well as a safe place to keep them. The ability to withdraw the funds on demand is not of pressing importance to them, and they are often willing to give notice some time in advance of intention to withdraw their deposits.

It results that the trust company is in position to invest its funds in ways quite different from the bank. The funds of the latter must be so placed that they can be quickly recovered to meet the needs of customers, being usually invested in paper that will mature in thirty, sixty or ninety days, or four months at the longest. The trust company can safely make long time loans on collateral or on real estate. Moreover, since the trust company pays in full for the use of its depositors' money by allowing interest on such money, it has no obligation to confine its loans to depositors, but may lend to whomsoever offers the best security and the highest rate; or it may invest its money largely in bonds and stocks. The bank remunerates its depositors by offering them a line of discounts, and hence must reserve its money mainly for loans to such depositors.

The necessity of dividing its loanable funds equitably among its depositors who desire discounts requires the bank to confine its loans to comparatively small amounts, while the trust company is in position to make large loans.

As a matter of theory, then, both as regards the classes of customers whom they serve and as regards the uses of their funds, trust companies and banks occupy distinct fields. They are co-ordinate institutions, each supplementing the work of the other, and both necessary factors in carrying on the financial affairs of the community. There is here not competition, but co-operation.

Digitized by Google

So much for the theory. In actual practice, the differences between the two classes of institutions are much less marked, and the tendency in many communities is steadily to lessen such differences as do exist. As a matter of fact the trust company of to-day has invaded a portion of the field of the bank, while, on the other hand, the bank is invading a portion of the field of the trust company. Most trust companies seek business accounts, payable on demand by check, offering as inducement interest on satisfactory daily balances. In cases where the law does not forbid, some companies also offer lines of discount. On the part of the banks there is a noticeable tendency in many localities to seek inactive accounts on which interest is allowed. This movement is being taken up by National banks, which in some instances maintain savings departments.

The result is that there are communities in which there are only slight differences between the business done by State banks and that done by the banking departments of trust companies. Both maintain commercial banking and savings departments conducted in the same ways. Their loans and investments are of practically the same character.

In other communities, where most of the banks and trust companies follow the lines of business for which each was theoretically established, there may sometimes be found individual trust companies which do a regular banking business, and individual banks which compete for the dormant accounts that naturally belong to trust companies or Savings banks.

Taking it the country over, it is safe to say that the difference between the average State bank and the banking department of the average trust company is slight, except in those States where trust companies may not discount commercial paper.[65] Such differences as exist usually concern the proportions of the various kinds of business handled, business accounts as a rule forming the larger, and inactive accounts the smaller part of the bank's business, while the reverse is true of the banking department of the trust company.

Where the trust company is forbidden to discount commercial paper, there results, of course, a distinct difference in the business of the two institutions due to such prohibition. In such cases the trust company still handles a large number of business accounts, as many business men either do not need discounts, or have other means of procuring them. In many places the practice has grown of forming working agreements by which groups of banks and trust companies throw business into each others' hands. By this means a given group of financiers is able to handle financial business of any kind. This plan is a recognition at once of the need of both institutions and of essential differences in their functions.

---

65 This statement is based on a personal study of trust companies in eight of the largest cities, and upon an examination of the business advertised in the circulars of some three hundred representative trust companies located in all parts of the country.

Digitized by Google

There is considerable difference between the State laws governing trust companies and those governing State banks. As a rule, the former are much less hampered by restrictions in the character of their business. In a later chapter the laws of the different States will be discussed in detail.

It is evident that there is a close resemblance between the business of the savings department of the trust company and that of the Savings bank, especially of the incorporated Savings bank, which is the usual form of such institutions outside of the Eastern and New England States. Both are after savings accounts. With regard to the mutual Savings banks, particularly, the theory is that such institutions exist especially for the accounts of those whose savings are comparatively small, while the trust companies are supposed to exist primarily for the safe keeping and accumulation of larger accounts. In practice, however, this distinction is not always maintained, although it is probably true that the average savings account of the trust company is larger than that of the mutual Savings bank. But trust companies usually advertise that deposits of more than five or ten thousand dollars will not be received at the regular interest rates. The minimum deposit received by either institution is usually one dollar.

In this connection it is worth while to call attention to the important service that the trust company, as well as the Savings bank, is rendering in the way of adding to the available money supply of the country. Through the medium of a large number of small accounts they gather from the people of their neighborhoods large sums that would otherwise be kept in the traditional stocking or in private safes. These funds are thus placed at the disposal of the community for use in carrying on its business, and make possible enterprises that benefit the whole people, and that would otherwise fail for lack of available funds. Particularly is this the case with reference to those companies in outlying parts of large cities, or in other localities where banks would not find enough business to keep them alive. As an instance of this, the writer knows of a trust company located outside the business district of a large city which in ten years accumulated deposits of over two millions, the larger part of which came from persons who had not theretofore deposited in banks at all. Here was a large sum put into active circulation and so made productive, to the mutual benefit of the depositors, the bank and the community at large.

Miscellaneous Functions.

Occasionally trust companies perform functions not mentioned in the foregoing discussion. For instance, some companies, in the far Western States particularly, write fire insurance as agents. The wide powers granted by the laws of most States permit trust companies to undertake almost any kind of financial business, and the result is that companies

Digitized by Google

in different localities take up special lines of business for which there happens to be a field.

It is usual for trust companies to offer to customers the services of their officers for legal and financial advice on ordinary matters that involve no complicated questions. This does not mean, of course, that the company undertakes to do the lawyer's work in such cases. But many of its customers are wholly ignorant of the most common principles and practices in business and commercial law, and as a result are greatly profited by advice in what seems to the experienced a very simple matter. Much litigation and loss, and many foolish "investments" are prevented by a little advice to such persons. The banker sometimes performs similar services for his customer, but the usual bank customer is acquainted with business procedure, while a considerable number of trust company customers are not so acquainted.

Complaints are heard in some quarters that the trust company is encroaching upon the field of the lawyer. Undoubtedly this is true as regards the handling of estates and the performance of many duties of a fiduciary nature. On the other hand, the trust company gives employment to a large number of lawyers. Every company has its attorney or force of attorneys, and trust officers are usually chosen from the ranks of those who have had legal training. Trust companies make it a practice, when a lawyer brings them a trust, to retain him as attorney for that trust whenever special services are needed. Furthermore, the trust company is a great aid to the lawyer in many ways. He often needs to select for his clients a trustee, guardian, receiver, assignee, depositary, etc. He is often called upon to make investments for his clients—a responsibility that many lawyers do not care to assume. In the practice of corporation law the lawyer finds the trust company of special use to him. Its facilities for the accurate keeping of accounts, preparing reports, caring for securities and managing estates appeal to many lawyers who have not the time or the inclination to assume other than the purely legal part of the work. To a great extent the trust company supplements and assists the lawyer of large practice.

Sources of Earning Power.

It is evident that the sources of earning power of the trust company are much more numerous than those of the bank. It may do all that the bank may do, and many things besides. One writer[66] has pointed out the fact that the trust company has developed all the earning power of an individual, thus adding greatly to its profits, as well as to its usefulness. To get at the possible earning power of the trust company, therefore, one must remember that it is not confined to the profits from the interest on funds under its care in the form of capital and deposits,

66 Guy Morrison Walker: pamphlet on "Trust Companies."

Digitized by Google

but adds fees for its services in trust capacities of ordinary kinds and special fees for special services. The tremendous earnings of some trust companies have been due more to the skill of their officers in performing services of a more or less personal nature than to the natural earnings of their banking departments or the regular fees on trust work. It is also true that during the flush times preceding the year 1903, large sums were made by many companies through underwritings and stock investments. These means of profit were, to say the least, hazardous, and in many cases the profits of this kind of preceding years have been reduced or turned into losses since 1903. The depreciation of values beginning in 1903 brought about a healthful reaction in the policy of some companies.

The Trust Company Still in the Formative Period.

One thing that must strike the careful observer forcibly is that the trust company as an institution is still in the formative period. As has been already pointed out, it travels ahead of statute law, such laws usually being formulated to govern a business already established, rather than outlining a business to be put in operation, as was the case with the National Bank Act. As a consequence it is too early to determine the exact form into which experience will cause the trust company business to crystallize.

That there is and ought to be a growing demand for more careful regulation and examination of trust companies in many States is evident, and the interests of both the public and the trust companies themselves will be subserved by a wise response to such demand. On the other hand, it would be a misfortune if unnecessary restrictions were imposed, which would result in preventing the trust companies from developing in harmony with the changing conditions of our American life. In this power of adjustment to existing conditions lies the secret of the great success of these institutions, not only in making earnings for themselves, but as well in serving the general public. Those bankers who, feeling the competition of trust companies, wish to have the laws of various States amended so as to put the banks in better relative position, should bear this fact in mind. If changes are to be made in the laws, wisdom dictates that such changes be in the line of removing any needless restrictions on the work of the banks, if such exist, rather than imposing any needless restrictions on the work of trust companies.[67]

The fact is that, allowing for some exceptions, the methods of trust companies are, on the whole, sound business methods, attended with as much safety to the public and to the companies as those of the banks. Besides this they have the great advantage of being better adapted to present needs, and of being able to adapt themselves to new needs when they present themselves.

---

67 See Guy Morrison Walker: pamphlet on "Trust Companies," pp. 14-16.

Digitized by Google

CHAPTER III.

THE ORGANIZATION OF TRUST COMPANIES.

THE question as to whether there is a sufficient field for the organization of a new trust company in any given community is one which should be given careful study before steps are taken for such organization. During the flush times preceding the depression of 1903 and the panic of 1907 some trust companies were undoubtedly organized for which there was not a sufficient field. Many of them have passed out of existence, involving losses to their stockholders. On the other hand, trust companies have been started in places where the conservatives could see no possible chance for success, and have become prosperous and useful institutions.

Whether the trust company form of organization is to be preferred to others must, of course, depend upon the circumstances of the time and place. The present tendency, however, is undoubtedly towards preferring the trust company form except where the conditions clearly call for a National bank; and many State banks and incorporated Savings banks, as well as some National banks, are being changed to trust companies. Because of their wide powers and of the privileges which they enjoy, these institutions often thrive where ordinary banks could not make a living.

Elements Contributing to Success.

The success of a new institution will depend very largely upon the men behind it. A poorly "backed" company will have difficulty in making a success even in a good field, while companies with the proper backing and officers have often prospered in fields that seemed fully occupied. If a new company is projected, therefore, the question of prime importance at the start is, Who will be its stockholders, its directors, its officers? First of all, they should be men whose standing in the community is unquestioned—men of probity and character. Men who have money and nothing more may help the bank at the start, and may bring it much business, but they cannot help in building up business among the general public, whose confidence must be obtained before the new institution can meet with pronounced success. While this is conspicuously an age of money and money power, there are, fortunately, some things which mere money can not do, and one of them is to secure the confidence of the public.

There is no substitute for character as a means of leading the people to put trust in a financial institution.

The shareholders should be men whose interests lie in the community where the company is to be located, thereby insuring their continued support of the enterprise after it is launched. An institution with good

Digitized by Google

prospects is almost always able to pick its stockholders, and should avoid admitting those who wish to subscribe merely as a speculation. Subscribers are often required to pledge a certain amount of business to the new company for a given period, and to state what business they think they can bring from others. If the concern is to do a general business, not confining itself to a specialty, the stockholders should be so selected as to represent as many different lines of business and professions as possible. Some difference of opinion exists as to whether it is better to have a large number of stockholders with few shares held by each, or to limit the number and increase the holdings. The former plan usually insures a larger group of customers from the start, and gives the general public more interest in the project. The latter plan permits of more unanimous and concerted action, and is sometimes of convenience. As a rule, however, the former plan is preferable.

Steps Preliminary to the Organization.

When it has been decided that a company shall be organized, a meeting should be called to discuss preliminary plans and to prepare papers in application for a charter. Blank forms for this purpose are usually supplied by the State banking department, where such a department exists, or by the Secretary of State. In any case the forms should be prepared by a competent attorney, and his services should be utilized during all the proceedings until the company has begun business. The minutes of the meetings should either be kept by him, or else be subject to his examination and approval. At this first meeting a committee should be appointed to receive subscriptions to the stock and to apportion the stock carefully among the bidders.

From this point on the plan of procedure will depend upon the laws of the State in which the company is to be incorporated. Three plans of incorporation are in vogue. In some States trust companies are incorporated only by special act of the Legislature, following the usual ante-bellum method of chartering State banks. In other States special laws for the incorporation of trust companies have been passed. In the remaining States these companies must be organized under the general laws for the incorporation of banks or of corporations for profit.

As an example of the procedure in those States having special laws for the incorporation of trust companies, that prescribed by the laws of the State of New York may be taken.

Incorporation of Trust Companies in New York.

Since 1887 most companies in the State have been incorporated under the general trust company law of that year, though some have been incorporated under the old plan of a special act of the Legislature. Under the general law, thirteen or more persons may form such a corporation. They must first publish a notice of intention to organize a trust com-

Digitized by Google

pany, at least once a week for four weeks, in a newspaper to be designated by the Superintendent of Banks, in the city or town where such trust company is proposed to be located; and a copy of such notice must be sent at least fifteen days before the filing of the organization certificate, to each trust company organized and doing business in the city or town where such company is proposed to be located. The State banking department furnishes a form for this notice, which reads as follows:

NOTICE OF INTENTION TO ORGANIZE.

We, the undersigned, hereby give notice of our intention to organize a trust company, under and pursuant to the laws of the State of New York, and in conformity with the statute in such case made and provided, we hereby specify and state as follows, to wit:

First, The names of the proposed corporators are: ———, ———, ———.
Second, The name of the proposed trust company is ———.
Third, The location of the proposed trust company is to be ———.
In witness whereof we have hereunto affixed our signatures this —— day of ———, 190—.

(Here must be placed the signatures of the corporators.)

The corporators, having complied with these requirements, must furnish proof of their having done so to the Superintendent of Banks. For the notices in the newspaper, ordinary proof of publication should be furnished. The department furnishes a form for the proof of service on the existing trust companies, as follows:

PROOF OF SERVICE OF NOTICE OF INTENTION TO ORGANIZE.

State of New York,
County of ———— | ss.

———, being duly sworn, deposes and says that he is upwards of twenty-one years of age, and resides at No. ———, in the city of ———; that on the —— day of ———, 190—, he served a copy of the annexed notice of intention to organize ——— upon each trust company hereinafter named by mailing to each of such trust companies a true copy of said notice at the post office in the city of ———, inclosed in a sealed envelope and directed to each of such trust companies at its post office address, and prepaying the proper postage on each of said notices so mailed, as follows, to wit:

(Here must follow the names of the said trust companies.)

This document must be properly sworn to.

The certificate of organization must next be filed with the Superintendent of Banks, after the expiration of the required period as above stated. The form of such certificate reads as follows:

CERTIFICATE OF ORGANIZATION OF ———.

KNOW ALL MEN BY THESE PRESENTS:

That we, the undersigned, ———, ———, ———,
all being persons of full age and citizens of the United States, and a majority of us being residents of the State of New York, do hereby associate ourselves together for the purpose of forming a trust company, under and pursuant to

Digitized by Google

the laws of the State of New York, and for such purpose we do hereby, under our respective hands and seals, execute and duly acknowledge this organization certificate, in duplicate, and specifically state as follows, to wit:

First, The name by which the corporation shall be known is ———.

Second, The place where its business is to be transacted is ———.

Third, The amount of its capital stock is to be ——— dollars, and the number of shares into which the same is to be divided is ———.

Fourth, The name, residence and post office address of each member of the corporation are as follows: ———, ———, ———.

(Here must be given the complete list of stockholders.)

Fifth, The term of existence of the corporation is ——— years.

Sixth, the subscribers, the members of the said corporation, do, and each for himself does hereby, declare that he will accept the responsibilities and faithfully discharge the duties of a director therein if elected to act as such when authorized in accordance with the provisions of the Banking Law of the State of New York.

IN WITNESS WHEREOF, We have hereunto set our hands and seals, and executed this certificate in duplicate, this —— day of ———, 190—.

(Here must follow the signatures of the stockholders, and they must swear to same before a notary in the usual form.)

Within sixty days after its acknowledgment, this certificate, which, as stated must be executed in duplicate, must be filed, one copy in the office of the county clerk of the county wherein such trust company is proposed to be located, and one in the office of the Superintendent of Banks of the State. A certified copy of the duplicate filed with the county clerk must be sent to the Superintendent of Banks, that he may have official notice of the filing of said duplicate.

The statute says: "Upon the receipt of any such organization certificate in the office of the Superintendent of Banks, if it shall not be in form and substance, or duly and properly acknowledged, as herein required, or shall not be accompanied by satisfactory evidence of the publication and service in good faith of the notice of intention to organize, the Superintendent shall refuse to file such certificate until it shall be amended in conformity to the provisions of this article. If fulfilling all of the prescribed conditions, the Superintendent shall indorse the certificate filed for examination, with the date of such indorsement."

Having filed the certificate, the Superintendent is charged with the duty of ascertaining as best he can whether the public convenience and advantage would be promoted by the proposed trust company and whether the men behind it are fit and possess the confidence of the public. If he is not satisfied of such fitness and advantage, he must, within sixty days after the filing of the certificate with him, notify the county clerk that he refuses to issue a certificate of authorization for such trust company.

If he is so satisfied, he must issue the authorization certificate within sixty days from the filing of the organization certificate, provided the organization tax has been paid to the State Treasurer and a receipt therefor is shown, and provided that he has ascertained by an examination that the requisite capital of the proposed corporation has been fully

Digitized by Google

paid in, in cash. The persons in charge of organizing the company must therefore see to it that these matters are attended to in season. The company is forbidden to begin business until the authorization certificate from the Superintendent of Banks has been received; and it must also, before beginning active business, file with the Superintendent a list of its stockholders, giving the name, residence, post office address and number of shares held by each of them respectively, which list must be verified by the two principal officers of the corporation.

While these legal proceedings are being attended to, presumably by the attorney of the corporators, a large number of details must be looked after by the man or men who are to be in active control of the company. Stock certificates must be ready to give to the stockholders when the subscriptions are fully paid. The seal of the company must be secured. The quarters for the company must be made ready, and the various books, records and blanks must be prepared. Arrangements must be made with the correspondents of the banking department.

After organization, the first duty of the directors is the adoption of a set of by-laws and the election of officers. Before the actual election of officers, there is usually an understanding as to who the men in active control are to be. It saves much time and trouble if the by-laws are prepared in advance by some competent person. After organization, the directors will of course make such changes in such by-laws as they see fit before adopting them, but they can work to much better purpose with an outline already drawn.

By-Laws.

The exact form of by-laws will of course vary greatly with different companies, many details depending upon the size of the company, the probable character of its business, etc. Herewith are submitted the by-laws in use by a company in New York, having total assets of about eleven millions. They serve as a fair sample of the by-laws of a progressive, up-to-date company, but of course contain provisions peculiar to the company, and are perhaps longer and more detailed than usual. The article on officers and employees, in particular, is apt to be quite different in smaller companies. Often the Secretary and Treasurer is the head executive officer, the President being merely an honorary office. Sometimes one of the Vice-Presidents is the active head.

BY-LAWS OF THE FRANKLIN TRUST COMPANY, OF THE CITY OF NEW YORK, BOROUGH OF BROOKLYN.

Amended to and Adopted February 4, 1903; Amended, December 9, 1903.

ARTICLE I.

Stockholders.

Section 1. A regular annual meeting of the stockholders of the company shall be held at its office at 10 o'clock a. m. on the second Wednesday of January in each year, or, if that be a legal holiday, then on the next business day, for the election of trustees in the class whose term of office shall then next expire; and for the transaction of such other business as may properly be brought be-

Digitized by Google

fore the meeting. Such election shall be between the hours of 10 a. m. and 11 a. m., and shall be advertised and conducted as provided for by law.

Section 2. Special meetings of the stockholders shall be called and held in the cases provided by statute, and may be called and held whenever and as often as the President, a majority of the board of trustees, or of the executive committee, may deem expedient; and it shall be the duty of the President to call such meetings upon the written request of the owners of record of a majority of the capital stock of the company.

Section 3. In addition to such other notice, if any, as may be required from time to time by law, ten days' written or printed notice of the regular annual meeting and also of every special meeting of the stockholders shall be served personally upon each stockholder of record, or mailed to such stockholder at his post office address as shown on the stock ledger, or published at least twice not more than twenty or less than ten days before the meeting, in some newspaper published in the Borough of Brooklyn, City of New York, and such notice of special meetings shall state the objects of the meeting.

Section 4. The holders of record of not less than one-fourth of all the capital stock of the company issued and outstanding, represented in person or by proxy executed pursuant to the requirements of the General Corporation Law, shall constitute a quorum for the transaction of business at any meeting of the stockholders except in the cases where otherwise provided by the General Corporation Law; but if there be less than a quorum represented at any meeting, the holders of a majority of the stock so represented present in person or by proxy may adjourn the meeting to some future date.

Section 5. At any and all meetings of the stockholders, every registered owner of shares may vote in person or by proxy executed pursuant to the requirements of the General Corporation Law, one vote for each share owned by him and standing in his name, but no proxy shall be valid after the expiration of eleven months from the date of its execution, unless the member executing it shall have specified therein the length of time it is to continue in force, which shall be for some limited period.

At all elections of trustees the voting shall be by ballot, and a plurality of the votes cast thereat shall elect.

Section 6. The stockholders at each annual meeting shall also elect, or appoint, three persons, who shall not be trustees or officers of the company, and who need not be stockholders, to act as inspectors of election at all the following meetings of the stockholders until the close of the next annual meeting. If an inspector shall decline to serve, or neglect to attend any meeting, or his office shall become vacant, the President may appoint an inspector in his place. The inspectors of election shall take charge of the polls, and, after balloting, shall sign and acknowledge a certificate of the result of the vote taken, and shall return, file and verify statements and certificates in the special cases as provided in the General Corporation Law. Each inspector before entering upon the performance of his duties shall be sworn to faithfully execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability.

ARTICLE II.

Board of Trustees.

Section 1. The business and affairs of the company shall be directed by a board of twenty trustees, who shall be elected by ballot in accordance with law at the annual meeting of the stockholders, six at the meeting of January, 1900, and every third year thereafter; and seven at the meeting of January, 1901, and every third year thereafter, and seven at the meeting of January, 1902, and every third year thereafter; the term of office of each class to commence on the next succeeding Wednesday at 9 a. m., and continue three years, or until their successors are elected and qualified.

Each trustee must be a holder of record in his own name and right of at least twenty-five shares of the capital stock of the company, and when he ceases to hold or own said number of shares he shall thereupon cease to be a trustee.

Digitized by Google

Section 2. Whenever a vacancy shall occur in the board, by death, resignation, or otherwise, in the interval between the annual meetings of the stockholders, it shall be filled by the board for the remainder of the term, by election by ballot at a regular meeting, after nomination at a previous monthly meeting; or, if no such nomination has been made, after nomination by the executive committee at any regular meeting of such committee, held at least one week previous to such meeting of the board of trustees at which the election is to be held, and notice by the secretary of the proposed election shall be sent with the notice of the meeting at which it is to be held.

Section 3. There shall be a regular meeting of the board of trustees on the first Wednesday after the first Monday of every month, except January, when it shall be held on the third Wednesday, at 9 a. m., or at such other day or time as the board may from time to time appoint, to which a report shall be made by the President of the business and affairs of the company. At all regular meetings of the board the following shall be the order of business, unless changed by a vote of a majority of the trustees present:

1. Calling the roll.
2. Reading the minutes of the last regular meeting and of any special meeting or meetings held since the last regular meeting.
3. Reading the minutes of the meetings of the executive committee since the last meeting of the board.
4. Report of the President.
5. Report of the Secretary.
6. Reports of committees.
7. Unfinished business.
8. New business.

Section 4. At the regular meeting of the board of trustees on the third Wednesday of January in each year, after reading the report of the inspectors of election and calling the roll, the first business shall be the election of a President, Vice-Presidents, and an Executive Committee; and whenever a vacancy shall occur in the office of President or either of the Vice-Presidents, or in the Executive Committee, it shall be filled at a regular meeting of the board, or at a special meeting called for that purpose after notice in either case by the Secretary of the proposed election and the meeting at which it is to be held. Such elections shall be by ballot.

Special meetings of the board of trustees may be called at any time by the President, and shall be called by him upon written request of three trustees.

ARTICLE III.

Executive Committee.

Section 1. There shall be an executive committee consisting of the President ex-officio and four trustees elected annually by the board of trustees, who shall organize by the election of their own chairman (who shall not be the President), and shall hold their offices until their successors are elected in their places. Vacancies in the committee shall be filled by the board of trustees.

Section 2. The executive committee shall have and exercise in the intervals between the meetings of the trustees all the powers of the board which can lawfully be delegated, and shall have general supervision of and direct the affairs and practical operation of the company. It shall superintend and advise all investments of the funds of the company, and of trust funds in charge of the company for investment, and shall supervise all special trusts; and no guardianship, receivership, or special trust, other than by orders of a court having jurisdiction, shall be accepted by the company without the committee's approbation and concurrence, except that in the intervals between the meetings of the committee such trusts may be accepted by the President upon approval by the counsel, such action to be reported at the next meeting of the committee.

The executive committee may, in its discretion, authorize the President to make such loans and investments as are permitted by law and report the

Digitized by Google

same at its next following meeting, and its chairman shall, during the pleasure of the committee, have such power and perform such lawful acts as the committee may deem necessary for the proper transaction of the current business of the company.

Section 3. The executive committee shall designate from time to time the banks or financial institutions in which deposits of the moneys of the company shall be made.

Section 4. The executive committee shall meet once every week, and at such other times as it may appoint, or may be called by the President or its chairman. A majority of the committee shall form a quorum for business, and regular minutes of its proceedings shall be kept, which shall always be open to the inspection of any trustee, and shall be read at the following meeting of the board of trustees.

Section 5. Subject to the approval of the board of trustees at its next following meeting, the executive committee may fix the compensation and define the duties not otherwise enumerated of the officers, clerks and employees of the company, who shall give such bonds as the committee may require as further provided for in Article VII., Section 1. All agents or employees of the company shall be subject to removal by the executive committee, with or without assignment of cause or reason for such action.

ARTICLE IV.

Examining Committee.

Section 1. There shall be an examination made in December and June of each year, of the books, accounts, cash, and securities of the company, by a committee to be appointed each half year by the board of trustees for that purpose, who shall report to the board the results of such examination, and sign and verify the semi-annual statement to the Banking Department required by statute, and the committee last appointed may make such other examinations at such other times as it may deem necessary.

Section 2. Trustees while serving on the executive committee shall be ineligible for appointment on the examining committee.

ARTICLE V.

Other Committees.

Section 1. The board of trustees may from time to time direct the creation of other committees, and may appoint from among their number, or otherwise, such other committees, standing or special, as may be deemed proper, and may direct and delegate to any such committee such powers and duties as may seem expedient, and revoke the same and terminate such duties at pleasure.

ARTICLE VI.

Counsel.

Section 1. Counsel shall be appointed by the executive committee, at stated annual compensation, for general advice to the officers, executive committee or board of trustees in the performance of their duties.

Section 2. In all cases of loans on bond and mortgage, excepting those where the title is guaranteed by a corporation approved by the board of trustees, an abstract of title, approved by the counsel of the company, shall be deposited with the company.

ARTICLE VII.

Officers and Employees.

Section 1. The officers of the company shall be a President, a Vice-President, a second Vice-President, a Secretary, two Assistant Secretaries and a Trust Officer, all of whom, except the President, and Vice-Presidents, shall hold their respective offices during the pleasure of the board of trustees or of the executive

Digitized by Google

committee. The President and the Vice-Presidents shall be trustees of the company, and shall hold their offices respectively for one year from the third Wednesday of January in each year, and until others are elected in their stead. Bonds satisfactory to the executive committee, and in amount not less than ten thousand dollars, shall be given by the Secretary, Assistant Secretaries and Trust Officer, and not less than five thousand dollars by each clerk. New or additional securities may at any time be required by the executive committee.

Section 2. The election of officers shall take place on the third Wednesday of January in each year as provided for in Article II, Section 4, and vacancies shall be filled as therein provided for. The salaries or compensation of all officers and employees of the company shall be fixed by the executive committee, subject to the approval of the board of trustees as provided for in Article III., Section 5.

Section 3. The executive committee, subject to the approval of the board of trustees, may from time to time appoint, or authorize the President to appoint, such agents and employees as it may deem best, and may prescribe the duties of the officers, agents and employees of the company. All agents and employees of the company shall be subject to removal as provided for in Article III., Section 5.

Section 4. The President shall be the chief executive of the company. He shall preside at all meetings of the stockholders and of the board of trustees, and he shall be a member ex-officio of all standing committees, except the examining committee. He shall have general charge, supervision and control of the business and affairs of the company, see to the proper and safe custody of the securities of the company and in its charge, subject, however, to the authority and control of the board of trustees and of the executive committee; and, subject to review of his action by said board and committee, he may appoint, suspend and discharge all agents and employees. He may call special meetings of the trustees whenever he may deem it proper, and shall call them whenever any three of the trustees shall request him in writing to do so, of which meetings at least one day's notice shall be given.

Section 5. It shall be the duty of the President or a Vice-President to sign all certificates issued for deposits of money, and all checks drawn, except checks for dividends and coupons, which shall be signed by any two officers of the company; and to keep, or cause to be kept, a daily record of all moneys received and paid out by the company. He shall countersign or certify all bonds issued by the company as trustee.

Whenever any stock shall be hypothecated with the company as security for a debt or loan, the President is authorized at his discretion to cause the transfer of same to the company. He shall also have power to make any and all transfers of the securities of the company, which may be authorized by the executive committee.

He shall at all times exercise such general direction and supervision over the business of the company as its interests and security may require; and in all cases where the duties of the subordinate officers and agents of the company are not specially prescribed by the by-laws or resolutions of the board of trustees or of the executive committee, they shall obey the orders and instructions of the President.

Section 6. The President shall have the custody of the seal of the company, and shall have the power to affix the same to certificates of the capital stock of the company; to certificates acknowledging satisfactions of judgments and mortgages and to assignments of mortgages; to releases of portions of mortgaged premises, to transfers and powers of attorney for the transfer of hypothecated stocks, and for the collection of interest and dividends; to legal proceedings; to any assignments of mortgages or stocks to the Superintendent of the Banking Department; also to all deeds and releases of any real estate, or portions thereof, which have been or may be conveyed to the company in or by any trust deed or mortgage, and to any contract in relation to any real estate or portions thereof, so conveyed, when such deed, release or contract is authorized or required by the provisions of said deed of trust of mortgage; to certificates of deposit; to receipts for money or property; to acceptances of ap-

Digitized by Google

pointment, as executor, administrator, guardian, receiver or other special trust, ordered by a court having jurisdiction, and to such transfers of the securities of the company as may be authorized by the executive committee. The seal of the company shall not be affixed to any other deed, conveyance or instrument whatever, unless by authority of the board or executive committee.

Section 7. In the case of the death, absence, or disability of the President, his powers shall be exercised and his duties discharged by the Vice-President, and in like manner the second Vice-President shall have the powers and duties of the President, in the event of the absence or disability of the President and Vice-President; and in the event of the death, absence, or disability of the President, Vice-President and second Vice-President, the executive committee for the time being shall appoint one of their number to act as President until the board of trustees shall, by a majority vote of their number, appoint a trustee to act as President *pro tempore*.

The said Vice-Presidents shall perform all such other duties as may be assigned to them from time to time by the board or the executive committee. One of the Vice-Presidents shall be a salaried officer of the company, and shall devote his entire time and attention to the business. He shall assist the President, as he may be directed from time to time. He shall, under direction of the President, be charged with the administration of the business and affairs of the company. He shall have such other duties as may be prescribed by the board of trustees, the executive committee, or the President.

Section 8. The Secretary shall be the custodian of the records of the company, unless otherwise provided by the by-laws, or directed by the board of trustees, or the executive committee. He shall keep the records of all votes and proceedings of the stockholders and of the board of trustees and of the executive committee in books kept for that purpose. He shall give due notice of all meetings of the stockholders and of the board of trustees and of the executive committee.

He shall supervise the receipts of all moneys, and the issuing of vouchers or certificates therefor, and shall keep a record daily of all such receipts and vouchers or certificates. He shall examine and countersign all checks for the payment of money, except checks for dividends and coupons, which shall be signed by any two officers of the company, and no money-voucher or certificate, except as before provided, shall be issued from the office without his signature thereon.

He shall supervise the deposits of all money lodged daily in bank, and compare the entry thereof with the book on its return from the bank, and also with the record of the receipts of the day.

He shall have the custody, under the control and supervision of the President, or a Vice-President, of all securities lodged as collaterals for loans made by the company.

Section 9. He shall also have the supervision of the stock and bond ledgers, and the proper filling out, completion and delivery of all certificates of stocks, taking the proper vouchers therefor—also the payments of all dividends. He shall perform such other duties as may be assigned to him by the Vice-Presidents, President, executive committee, or board of trustees.

Section 10. The Assistant Secretaries shall assist the Secretary.

In the absence or disability of the Secretary, an Assistant Secretary shall have the powers and perform the duties of the office. The Assistant Secretaries shall perform such other duties as may be assigned to them by the Vice-Presidents, President, executive committee, or board of trustees. In case of the absence or disability of the Secretary and both Assistant Secretaries, the President shall designate such trustee, officer or employee of the company as he may deem proper to act as Secretary *pro tempore*, with the like powers and duties.

Section 11. The Trust Officer shall give his special attention and supervision to the various trust accounts opened in the office, see that all entries of debits and credits are correctly made and properly registered, and all trust records properly made and kept. He shall have general charge of the transfers and registries of all stocks and bonds, the exchange of bonds, the payment of interest of all registered bonds and coupons paid at the office of the company. He shall countersign all trust checks issued, except coupon checks. He shall perform

Digitized by Google

such other duties as may be assigned to him by the Vice-Presidents, President, executive committee, or board of trustees. In case of the absence or disability of the Trust Officer, the President shall designate such trustee, officer or employee of the company as he may deem proper to act as Trust Officer *pro tempore*, with the like powers and duties.

ARTICLE VIII.

Conduct of Business.

Section 1. No loan on bond and mortgage shall be made without the approval and concurrence of the President, and the executive committee, and in all cases of loans on bond and mortgage, except where the title is guaranteed by a corporation approved by the board of trustees, an abstract of title approved by the counsel of the company shall be deposited with the company.

All agreements or instruments of trust shall, when required by the President, be examined and approved by the counsel of the company before the acceptance or execution thereof.

Section 2. No loan shall be made to any member of the board of trustees or officer of the company.

Section 3. All moneys of the company, or under its charge, deposited in financial institutions designated by the executive committee, shall be deposited therein to the credit of the company by its corporate name.

Section 4. Every expense incurred or paid exceeding two hundred and fifty dollars shall be reported to the executive committee at its next meeting after the making of such obligation or disbursement.

Section 5. Certificates of money received on deposit, specifying the duration and terms of the deposit, shall be issued when required by the person making the deposit; but in such cases the money received, shall, when due, be payable only on the production of the original certificate, or its substitute if the original be lost or destroyed.

All certificates of deposit previous to their being issued shall be registered in certificate books to be kept for that purpose, which books shall be prepared with sufficient stub-margins, in which each certificate shall be numbered, registered and described, and where all payments thereon shall be recorded; and all certificates when paid in full shall be cancelled, defaced and filed away.

Section 6. If any person shall apply for certificate of stock of the company, or a certificate of deposit, to be issued in lieu of one lost or destroyed, he shall make an affidavit of the facts and circumstances of the loss or destruction; he shall advertise in one or more daily public newspapers to be designated by the President, for the period of six weeks, twice in each week, an account of the loss or destruction, describing the certificate and calling upon all persons to show cause why a new certificate should not be issued in lieu of that lost or destroyed; and he shall file with the company his affidavits and the advertisement above required, with proof of its due publication, and shall give to the company his bond of indemnity with one or more sureties satisfactory to the President, in double the amount of the certificate, against any damage that may arise from issuing a new certificate; whereupon the President may issue a new certificate of the same number and tenor as that said to be lost or destroyed, and specifying that it is in lieu thereof.

Section 7. No interest on any bond and mortgage to the company shall be allowed to remain overdue longer than thirty days without a foreclosure or suit being ordered by the President, unless a longer delay shall be directed by the executive committee. And it shall be the duty of the Secretary to notify the executive committee of any such default in payment of interest or principal of any loan on bond and mortgage.

Any other loan not paid at its maturity shall be reported by the Secretary to the executive committee at its meeting next following such default.

Section 8. Books of transfer shall be kept, in which all transfers of capital stock and of certificates of deposit, when assignable, shall be made and entered by the persons entitled to make such transfers, or by their attorneys; but no such transfer shall be permitted until the original certificate shall be surrendered and cancelled.

Digitized by Google

Section 9. The President, or such other trustee as may be designated for the purpose by resolution of the board of trustees or of the executive committee, may become a director or trustee in any corporation of which this company is a stockholder or creditor, for the purpose of representing therein the interests of this company.

ARTICLE IX.

Capital Stock.

Section 1. The interest or ownership of each shareholder of this company shall be evidenced by certificates of shares of the capital stock of the company. No certificate shall be valid unless signed by the President or one of the Vice-Presidents, and the Secretary or one of the Assistant Secretaries, and sealed with the company's seal.

Section 2. All such certificates shall be issued in consecutive order from the certificate book, and shall be numbered and registered in the order in which they are issued, and on the stub of each certificate issued shall be entered the name of the person owning the shares represented by such certificate, with the number of shares and the date thereof, and in case of cancellation the date of cancellation. A receipt for each certificate issued shall be duly signed on or attached to the stub of the certificate book, and all certificates exchanged or surrendered shall be cancelled and pasted in their original places in the certificate book, and no new certificate issued until the old certificate or certificates for the same number of shares shall have been surrendered and cancelled.

Section 3. Shares in the capital stock of the company shall be transferred only on the books of the company by the holder in person upon surrender and cancellation of certificates for a like number of shares, or by his attorney with like surrender and cancellation of such certificates with duly executed power to transfer, endorsed thereon or attached thereto.

Section 4. All certificates of stock issued by the company shall be countersigned by such bank or other institution as shall be from time to time designated by the executive committee as registrar of transfers, and no certificate of stock shall be binding upon the company or have any validity until so countersigned.

ARTICLE X.

Dividends and Closing of Transfer Books.

Section 1. The board of trustees may declare dividends from the net profits of the company whenever they shall deem it expedient.

Section 2. The transfer books of the company shall be closed for such length of time as the board of trustees may from time to time determine as necessary before the payment of dividends, and before meetings of the stockholders for elections.

ARTICLE XI.

Amendments to By-Laws.

No new by-laws shall be adopted, nor shall any alteration be made in the by-laws, except upon notice stating the proposed amendment given at a previous regular meeting of the board of trustees, or upon recommendation of the executive committee, and notice mailed to each trustee not less than five days in advance of any regular or special meeting of the board.

The by-laws are drawn up by the directors of the company, who have power to determine their form, provided, of course, that they are not contrary to law. In New York the capital stock "must be at least $500,000; provided, however, that a corporation with a capital of not less than $200,000 may be organized in any city containing more than 100,000 inhabitants and less than 250,000 inhabitants, and a corporation may be

Digitized by Google

organized with a capital of not less than $150,000 in any city containing more than 25,000 inhabitants and less than 100,000 inhabitants, and with a capital of at least $100,000 in a city or town the population of which does not exceed 25,000 inhabitants."

The laws of New York prescribe that the number of directors must be not less than thirteen nor more than thirty; the exact number, within these limits, being left for determination by the by-laws of each company. The number necessary to form a quorum may be determined by the by-laws or organization certificate, but "such quorum shall not be less than one-third of such board of directors, and in no case less than seven." No person can be a director who is not the holder of at least ten shares of the stock. "The persons named in the organization certificate, or such of them respectively as shall become holders of at least ten shares of such stock, shall constitute the first board of directors, and may add to their number not exceeding the limit of thirty, and shall severally continue in office until others are elected to fill their respective places." Within six months from the commencement of business they must classify themselves, by lot, into three classes, as nearly equal as may be. The term of office of the first class shall expire on the third Wednesday of January next following such classification; the term of the second class expires one year thereafter, and that of the third class two years thereafter. As the terms of the various members of the board expire, others are elected to fill their places by the stockholders, who may vote in person or by proxy. Proper notice of the regular meetings for such elections is required. If the stockholders fail to elect new members at the appointed time, the directors have power to fill the vacancies, as well as to fill any vacancies occurring in the interval between elections. Each director "shall take an oath that he will, so far as the duty devolves on him, diligently and honestly administer the affairs of such corporation, and will not knowingly violate, or willingly permit to be violated, any of the provisions of law applicable to such corporation, and that he is the owner in good faith, and in his own right, of the number of shares (ten) required by this section, subscribed by him or standing in his name on the books of the corporation, and that the same is not hypothecated or in any way pledged as security for any loan or debt." A certified copy of this oath must be transmitted to the Superintendent of Banks and filed and preserved in his office.

Care in the Selection of Directors.

The choice of directors is a matter of supreme importance to the interests of the company. Unless they are men of known integrity and business capacity, the company will have difficulty in making a success. It has already been urged that the stockholders of the company should be men of good standing in the community, and the best men among these should be chosen as directors. Upon them will devolve the responsibil-

Digitized by Google

ity for the general management of the company. They will choose the officers who will have charge of the active management of the company, but both the stockholders and the public expect, and have right to expect, that the directors will see to it that these officers manage the company in the best way. No man has a right to accept the election as a director of a trust company who is not willing to give enough of his time and attention to know that matters are being properly conducted. One cannot too strongly deprecate the practice followed by some, of accepting places on such boards without intention of giving any thought or time to the trust thus accepted. Suits at law have been instituted against such careless officials when their inattention has permitted losses to stockholders and depositors alike, and the laws of some States hold them responsible.

Whatever the legal aspect of the case may be, one who accepts such a trust and then gives it no attention, is morally guilty of criminal carelessness. He jeopardizes the property of others, and perhaps the very means of subsistence of widows and orphans.

Having completed the adoption of by-laws, decided the membership of the first board of directors, and chosen officers, and carried out the legal requirements already described, the organization of the trust company is complete. While these things are being attended to, it is presumed, as already stated, that the material equipment of the company is being made ready by those who are to be in charge of it. The offices of the company will be more or less elaborate in their arrangements, according to circumstances. It is not often that too much money is spent in making the quarters attractive and convenient, both to customers and to the workers. The general public is certain to judge an institution largely by appearances, and an attractive looking suite of rooms is very apt to add largely to the success of the company. Much difference in the customs in this matter is observable in different cities. In some it is the usual thing for banks and trust companies to be equipped in elaborate fashion. In such cities a new institution must, of course, see to it that its quarters compare favorably with others. In some cities comparatively little attention is given to making the offices attractive and convenient. A new institution starting in such a city will manifestly be the gainer by starting an improvement in this matter.

Many of the larger trust companies of to-day own their own buildings, which are constructed specially for their use. The advisability of this depends largely upon local conditions, but in most communities has much to commend it. A building is an asset that people can see, and tends to give a feeling of confidence.

The vaults of the company should be strictly up-to-date, and large enough not for the present only, but for probable future needs. The mistake of having them too small is much more common than that of having them too large. A trust company will ordinarily have use for a larger vault or vaults than an ordinary bank, because of the securities

Digitized by Google

of others that must be cared for in addition to its own securities and records. If only one vault is erected, that part used by the banking department should be separated by a grill from the portion used by the trust department. If a safety deposit department is to be conducted, of course a special equipment is necessary.

Organization of Trust Companies by Special Charter.

As already stated, trust companies in some States are incorporated only by special charter granted by the Legislature. In these States, after it has been decided to apply for a charter, a committee of the persons interested is appointed to draw up, under legal advice, an act of incorporation involving such provisions as are wanted (being sure to specify a wide range of powers), and to arrange for the introduction of the bill to the Legislature by some member thereof. If the Legislature sees fit to grant the charter, either as presented or amended by the Legislature, the company is usually authorized to begin business as soon as it wishes after the passage of the act.

Such special acts, in the absence of general laws regulating the business of trust companies, define the powers and limitations of the company. If general laws for such regulation of trust companies exist in the State, then the special act merely names the corporators, creates them a corporation under the name chosen, and confers upon them the authority to transact a trust company business under the general laws in force relating to such corporations.

The charters of companies established in the early years of the trust company movement have had added to them numerous amendments granting larger powers, as the Legislatures became more liberal in such matters. The amendments are passed by the Legislature in the form of special acts, and become part of the charter upon their formal acceptance by the company. In cases where general laws regulating the business of trust companies have been passed subsequent to the granting of special charters, such general laws, or parts of them, become part of the charter of the company upon their acceptance by the latter. The following charter of a large Boston company,* doing both a banking and a trust business, will illustrate the usual form and scope of these special charters and of acts amending same:

COMMONWEALTH OF MASSACHUSETTS.

THE NEW ENGLAND TRUST COMPANY.

Act of Incorporation, Granted April 22, 1869.

Section 1. Nathaniel Thayer, John C. Lee, Benjamin T. Reed, their associates and successors, are hereby made a corporation by the name of "The New England Trust Company," to be located in the City of Boston, for the purpose of holding property in trust, and for other purposes hereinafter set forth; and

* Trust companies in Massachusetts were formerly incorporated only by special act. They may now be incorporated under the general incorporation law for trust companies, signed by the Governor May 25, 1904.

Digitized by Google

subject to all the duties, restrictions and liabilities set forth in all general laws which now are or may hereafter be in force in relation to such corporations.

CAPITAL.

SECTION 2. The capital stock of said corporation shall be an amount not exceeding in the whole the sum of one million dollars (*as amended March 30, 1871*), divided into ten thousand shares of one hundred dollars each, and the same shall be paid for at such time and in such manner as the board of directors shall decide; *provided,* that no business shall be transacted by the corporation until the whole amount is subscribed for, and at least one hundred thousand dollars shall have been actually paid in and invested according to law, and no shares shall be issued nor dividends made until the par value of such shares shall have been actually paid in cash.

POWERS.

SECTION 3. The said corporation shall have power to receive and hold moneys or property in trust or on deposit from courts of law or equity, including courts of probate and insolvency, executors, administrators, assignees, guardians, trustees, corporations or individuals, upon such terms or conditions as may be obtained or agreed upon.

SECTION 4. Any court of law or of equity, including courts of probate and insolvency of this State, may, by decree or otherwise, direct any moneys or property under its control, or that may be paid into court by the parties to any legal proceedings, or which may be brought by reason of any order or judgment in equity or otherwise, to be deposited with said corporation upon such terms and subject to such instructions as may be deemed expedient by said court; *provided, however,* that said corporation shall not be required to assume or execute any trust without its own assent.

INVESTMENTS.

SECTION 5. It shall be lawful for said corporation to invest its capital and all the moneys intrusted to it, or in any way received by it, in the authorized loans of the United States, or of any of the New England States, or cities or towns of this Commonwealth; in the stock of national banks organized within this Commonwealth; in the first mortgage bonds of any railroad company which has earned and paid regular dividends for two years next preceding such investment, or in the bonds of any such railroad company as is unincumbered by mortgage, or in the stock of such railroad companies incorporated by this State; and the said corporation may make loans upon mortgages on real estate within this Commonwealth, or upon the notes of corporations created under the laws of this Commonwealth, and the notes of individuals, with a sufficient pledge as collateral, of any of the aforesaid securities; but all real estate acquired by foreclosure of mortgages, or by levy of execution, shall be sold at public auction within two years of such foreclosure or levy.

Amended Charter—Section 2. It shall be lawful for the said corporation to invest its capital, and all moneys held by it in trust, in the authorized loans of any of the counties, cities, or towns in any of the New England States, or to loan the same to this Commonwealth, or to any county, city or town therein; and said corporation may also invest such capital and moneys in any other securities in which savings banks now are or hereafter may be allowed to invest, and shall be subject to and governed by the provisions concerning savings banks which are contained in sections one hundred and forty-three and one hundred and forty-six of chapter 57 of the General Statutes.*

---

* General Statutes, Chapter 57.

Section 143. "No such corporation shall hold, both by way of investment and as security for loans, more than one-half the capital stock of any bank, nor have more than seventy-five per cent. of its deposits invested in mortgages of

Digitized by Google

BANKING-HOUSE.

SECTION 6. Said corporation may hold real estate in the City of Boston, suitable for the transaction of its business, to an amount not exceeding two hundred thousand dollars.

EXAMINATION BY SAVINGS BANK COMMISSIONER.

SECTION 7. The said corporation shall semi-annually make a return to the Commissioner of Savings Banks of this Commonwealth, on or before the second Mondays of May or November, which shall be signed and sworn to by a majority of its board of directors, stating the full amount of its capital stock and of all moneys and property, in detail, in the possession or charge of said company, as deposits, trust funds, or for purposes of investment; and the Commissioner of Savings Banks shall have the same access to the vaults, books, and papers of this corporation, and it shall be his duty to inspect, examine and inquire into its affairs, and to take proceedings in regard to them in the same manner and to the same extent as if this corporation were a savings bank, subject to all the general laws which now are or hereafter may be in force in relation to such institutions in this regard.

TAXES.

SECTION 8. Repealed by the amended charter, and the following substituted:

Section 8. Said corporation shall be subject to the provisions of chapter two hundred and eighty-three of the acts of the year eighteen hundred and sixty-five, and any acts now existing, or which may hereafter be passed in amendment or lieu thereof; it shall also, annually, between the first and tenth days of May, return to the tax commissioner a true statement, attested by the oath of some officer of the corporation, of all personal property held upon any trust on the first day of May, which would be taxable if held by an individual trustee residing in this Commonwealth, and the name of every city or town in this Commonwealth where any beneficiary resided on said day, and the aggregate amount of such property then held for all beneficiaries resident in each of such cities and towns, and also the aggregate amount held for beneficiaries not resident in this Commonwealth, under the pains and penalties provided in section fourteen of chapter two hundred and eighty-three of the acts of the year eighteen hundred and sixty-five, and acts in amendment thereof, for corporations failing to make the returns provided by said act. Said corporation shall annually pay to the Treasurer of the Commonwealth a sum to be ascertained by assessment upon an amount equal to the total value of such property at a rate to be ascertained and determined by the tax commissioner, under section five of chapter two hundred and eighty-three of the acts of the year eighteen hundred and sixty-five and acts in amendment thereof.

No taxes shall be assessed in any city or town for state, county, or town purposes, upon or in respect of any property held in trust as aforesaid; but such proportion of the sum so paid by said corporation, as corresponds to the amount of such property held for beneficiaries resident in this Commonwealth, shall be credited and paid to the several cities and towns where it appears, from the returns, or other evidence, that such beneficiaries resided on the first day of May next preceding, according to the aggregate amount so held in trust for beneficiaries residing in such cities and towns respectively; and, in regard to such tax so to be assessed and paid as aforesaid, said corporation shall be subject to sections eleven, twelve, thirteen, the last paragraph of section fifteen, and section seventeen, of chapter two hundred and eighty-three of the acts of the year eighteen hundred and sixty-five and acts in amendment or lieu thereof, so far as the same are applicable thereto.

---

real estate, nor invest more than ten per cent. thereof, and not to exceed one hundred thousand dollars, in the capital stock of any corporation."

Section 146. "No member of a committee or officer of such corporation charged with the duty of investing its funds, shall borrow or use any portion thereof, be surety for loans to others, or in any manner, directly or indirectly, be an obligor for money borrowed of or loaned by the corporation."

Digitized by Google

OF THE UNIVERSITY OF CALIFORNIA

FINANCIAL AGENCIES.

SECTION 9. The said corporation is also authorized to act as agent for the purpose of issuing, registering, or countersigning the certificates of stock, bonds, or other evidences of indebtedness of any corporation, association, municipality, state or public authority, and to receive and make payments on account of the same, on such terms as may be agreed upon.

CHARTER PERPETUAL.

SECTION 10. This act shall take effect upon its passage, and shall continue in force *fifty years*, unless sooner modified or terminated by the Legislature.

Amended as follows—Section 4. Section eight, and so much of section ten, of chapter one hundred and eighty-two of the acts of the year eighteen hundred and sixty-nine, *as limits the existence of said corporation to fifty years, is hereby repealed.*

Amended Charter—Section 5. This act shall take effect whenever it shall be accepted by a vote of said corporation, at a meeting warned for the purpose.

Within thirty days after such acceptance, a copy of the vote accepting the same, certified by and attested by the oath of the President, or one of the Vice-Presidents of the corporation, and the Secretary thereof, shall be filed in the office of the Secretary of State, and such certificate shall be conclusive evidence of such acceptance.

The amended charter was duly accepted April 15, 1871, and the proper certificate filed.

AN ACT

TO AMEND THE CHARTER OF THE NEW ENGLAND TRUST COMPANY.

Be it enacted by the Senate and House of Representatives, in General Court assembled, and by the authority of the same, as follows:

SECTION 9. The New England Trust Company may be appointed trustee under any will or instrument creating a trust, for the care and management of property, under the same circumstances, in the same manner, and subject to the same control by the court having jurisdiction of the same, as in the case of a legally-qualified person. The capital stock of said corporation, with the liabilities of the stockholders existing thereunder, shall be held as security for the faithful discharge of the duties undertaken by virtue of this act, and no surety shall be required upon the bonds filed by said corporation. In all proceedings in the probate court or elsewhere, connected with any authority exercised under this act, all accounts, returns, and other papers may be signed and sworn to in behalf of the corporation, by any officer thereof duly authorized by it; and the answers and examinations, under oath of such officer, shall be received as the answers and examinations of the corporation, and the court may order and compel any and all officers of said corporation to answer and attend said examinations in the same manner as if they were parties to the proceedings or inquiry instead of the corporation; *provided, however,* that said corporation shall not be required to receive or hold any property or moneys or to execute any trust contrary to its own desire.

SECTION 2. In the management of money and property held by it as trustee under the powers conferred in the foregoing section, said corporation shall invest the same in the general trust fund of the company; *provided,* that it shall be competent for the authority making the appointment to direct, upon conferring the same, whether such money and property shall be held separately or invested in the general trust fund of the company; and provided, also, that said corporation shall always be bound to follow, and be entirely governed by all directions contained in any will or instrument under which it may act.

SECTION 3. No money, property, or securities received or held by said company under the provisions of this act shall be mingled with the investments of the capital stock or other moneys or property belonging to said corporation, or be liable for the debts or obligations thereof.

Digitized by Google

SECTION 4. The returns of said corporation required to be made to the Commissioners of Savings Banks shall be in the form of a trial balance of its books, and shall specify the different kinds of liabilities, and the different kinds of its assets, stating the amount of each kind, in accordance with a blank form to be furnished by said commissioners. And these returns shall be published in a newspaper of the City of Boston, at the expense of said corporation, and in the annual report of said commissioners.

SECTION 5. This act shall take effect upon its acceptance by said corporation, which acceptance, with the date thereof, shall within ten days thereafter be certified by the President of the corporation to the Secretary of the Commonwealth.

Approved May 16, 1877.

[Accepted by the corporation at special meeting, June 1, 1877.]

AN ACT

TO ALLOW THE NEW ENGLAND TRUST COMPANY TO MAKE ADDITIONAL INVESTMENTS.

Be it enacted, etc., as follows:

SECTION 1. The New England Trust Company, incorporated under chapter one hundred and eighty-two of the acts of the year eighteen hundred and sixty-nine, may, in addition to the investments which it is authorized to make, invest the moneys intrusted to it, or in any way received by it, in the notes of manufacturing corporations created by the laws of any of the New England States, the property of which is unincumbered by mortgage, and which have paid a dividend for the two years next preceding such investment; also to take as collateral upon the notes of individuals, citizens of this state, for a period not exceeding four months, the bonds of cities in the United States containing at least one hundred thousand inhabitants, whose net indebtedness does not exceed five per cent. of the valuation of the taxable property therein, to be ascertained by the last preceding city valuation for the assessment of taxes, and selling in the market above par; *provided,* that said bonds shall be taken at not over eighty per cent. of the market value thereof.

SECTION 2. This act shall take effect upon its acceptance by the New England Trust Company. *Approved March 16, 1882.*

[Accepted April 10, 1882.]

Where general laws regulating the trust company business are in force, the special act, as stated above, may not recite the powers and limitations of the company in detail, but merely refer to the general law covering the case. The following is an illustration of such a special act:

CHARTER OF THE FEDERAL TRUST COMPANY.

COMMONWEALTH OF MASSACHUSETTS.

IN THE YEAR ONE THOUSAND EIGHT HUNDRED AND NINETY-NINE.

AN ACT

To Incorporate the Federal Trust Company.

(Chapter 92, Acts of 1899.)

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. James W. Kenney, Thomas B. Fitzpatrick, Josiah S. Dean, James M. Morrison, Charles J. Connelly, John W. Horne, William J. Emerson, Thomas L. Jenks, Joseph B. Horton, Jeremiah C. Spillane, John J. Johnston, William

Digitized by Google

J. Carlin, Pierce Powers, John E. Stanton, John B. Fitzpatrick, Lawrence J. Logan, Thomas F. Galvin and Joseph H. O'Neil, their associates and successors, are hereby made a corporation under the name of the Federal Trust Company.

SECTION 2. Said corporation shall have authority to establish and maintain a safe deposit and trust company in the City of Boston, with all the powers and privileges and subject to all the rights, duties, liabilities, and restrictions set forth in all general laws which now are or hereafter may be in force relating to such corporations.

SECTION 3. This act shall take effect upon its passage.

House of Representatives, February 14, 1899.

JOHN L. BATES, *Speaker.*

In those States and Territories whose laws make no special provisions for the incorporation of trust companies, and where the system of special acts granting charters does not prevail, such corporations are organized under the general incorporation laws or under the banking laws. The forms for such incorporation vary somewhat in the several States, but the incorporation certificate, which is forwarded to the Secretary of State, usually specifies the names of the corporators, the name of the proposed corporation, its location, its purpose, and powers desired, the amount of its capital and number of shares into which it is divided, and the date of the instrument. The Secretary of State examines the certificate to make sure that it contains nothing inconsistent with the laws of the State, and if he finds that it is all right in this respect, issues his certificate that the articles of incorporation have been filed, and that the company has authority to do business.

Digitized by Google

CHAPTER IV.

TRUST COMPANY LEGISLATION.

DURING the past few years there has been an increasing activity among the State and Territorial lawmakers in the passage of laws relating to trust companies. At the meeting of the Trust Company Section of The American Bankers' Association, in 1897, it was stated that only nineteen of the States had general trust company laws.*

In 1908, all but three of the States and Territories had some sort of general legislation regarding trust companies, though in several instances such legislation is very incomplete. In twenty-nine States and Territories, trust companies are incorporated under and governed by general trust company laws; in eleven others, trust companies are organized under the general incorporation laws, but are governed by general trust company laws. In seven States, trust companies are incorporated by special acts of the Legislatures.

Florida, Nebraska and Nevada give no recognition to trust companies in their legislation. All three have trust companies in operation, however, the number of such corporations reported in June, 1908, being as follows: Florida, 8; Nebraska, 9; Nevada, 5. In these States no distinction is made between trust companies and other corporations, and they are formed under the general incorporation laws, or if they do a banking business, under the banking laws.

In seven States, namely, Connecticut, Delaware, Maryland, New Hampshire, South Carolina, Vermont and Virginia, trust companies are incorporated by special acts of the Legislatures. These States have some general statutes relating to trust companies, placing them under the control of the State authorities, authorizing them to execute certain kinds of trusts and fixing methods of taxation; but in Virginia there is only a little of such legislation. In North Carolina trust companies were incorporated only by special acts until late in the year 1907, and in Rhode Island until 1908, since which time they may be incorporated under the general trust company law. Alabama, Maine and Massachusetts have only in recent years given up the incorporation by special acts for that by general statutes. Maryland formerly had a general law for the incorporation of trust companies, but this was repealed in 1890. The preamble of the act of repeal sets forth that because of the changes in the character of trust companies since 1876 (when the general law was passed), and on account of the incompleteness of the general law, it had been necessary to incorporate trust companies by special acts anyway, and that the latter method of incorporation is a proper one.

* Proceedings Trust Company Section, 1897, p. 158.

Digitized by Google

In Iowa, trust companies are organized under the general laws with trust powers only, or under the banking law if they are to undertake the banking business. Paragraph 1889 of the Code of 1895 gives trust companies limited Savings Bank powers, except companies organized prior to 1886, which seem to be authorized to do both banking and trust business. The laws of the State relating specifically to trust companies are very meagre.

The following thirty-nine States and Territories have more or less complete general trust company laws: Alabama, Arizona, Arkansas, California, Colorado, District of Columbia, Georgia, Hawaii, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Dakota, Tennessee, Texas, Utah, Washington, West Virginia, Wisconsin, Wyoming.

Of the States and Territories in which trust companies are governed by general trust company laws, about two-thirds provide specially for their incorporation, while in the other third the organization is conducted under the general incorporation laws. The minimum number of corporators required varies from 3 to 25, the latter number being required in the District of Columbia, and the former in nine different States. Five is a favorite number, ten States fixing it as the minimum. The number required in New York is 13.

Number of Directors Required.

Many of the States stipulate the minimum number of directors that a trust company may have, a few also stipulating the maximum number. In Colorado and Washington, the number required is at least 3; in Montana, from 3 to 25; in Idaho, Maine, New Jersey, New Mexico, South Dakota, Tennessee and Wisconsin, at least 5; in Georgia and Kansas, from 5 to 15; in Missouri, Oklahoma and Texas, from 5 to 25; in Indiana, at least 6; in Michigan, at least 7; in North Dakota, from 9 to 15; in Minnesota, from 9 to 27; in the District of Columbia, from 9 to 30; and in New York, from 13 to 30.

The Amount of Capital Stock.

The amount of capital stock which trust companies are required to have varies considerably in the different States and Territories, and is naturally smallest in States where the towns are apt to be small,—though this is by no means an invariable rule. In about half of the States having legislation on the subject, a definite minimum amount of capital is fixed without regard to the size of the town or city in which the company is located. The other States arrange schedules in which the mini-

Digitized by Google

mum capital required is determined by the size of the place in which the company is situated.*

Thus, South Carolina fixes the minimum capital with which trust companies may be formed anywhere in the State at $25,000; Texas, $50,000; Hawaii, $100,000, half paid; California, Georgia, Kansas, Louisiana, Mississippi, Missouri, Montana, New Jersey, New Mexico, North Dakota, Tennessee and West Virginia, $100,000; Ohio, $100,000 or $125,000, according to business done; Pennsylvania, $125,000; Minnesota, $200,000, and the District of Columbia, $1,000,000. The following States have schedules in which the minimum capital requirements range between the figures shown; Alabama, from $25,000 to $100,000; Arkansas, $50,000 to $100,000; Colorado, $50,000 to $250,000; Idaho, $10,000 to $100,000; Indiana, $25,000 to $100,000; Iowa, $10,000 to $50,000; Kentucky, $15,000 to $200,000; Maine, $25,000 to $150,000; Massachusetts, $100,000 to $200,000; Michigan, $150,000 to $300,000; New York, $100,000 to $500,000; North Carolina, $5,000 to $25,000; Oklahoma, $100,000 to $200,000; Oregon, $10,000 to $50,000; South Dakota, $25,000 to $100,000; Utah, $25,000 to $100,000; Washington, $10,000 to $100,000; Wisconsin, $50,000 to $100,000; Wyoming, $10,000 to $100,000. It thus appears that the smallest minimum capital required is in North Carolina, where, in towns of 1500 or less population, companies may be formed with a capital of $5,000; while the largest minimum is that of the District of Columbia, $1,000,000. It should be added that the minima above given usually apply only to companies which actually undertake a trust business; the minimum often being smaller if the company does only a banking business.

Most of the States do not place any maximum limit to the capital allowed, but a few do. The maximum limit is $1,000,000 in Kansas; $2,000,000 in Georgia, Indiana, Minnesota, and Pennsylvania; $5,000,000 in West Virginia, and $10,000,000 in Missouri, Montana and Texas.

Powers and Capacities of Trust Companies.

The powers, or capacities in which trust companies may act, are much the same in different States and Territories having general trust company laws, save in the extent to which a regular banking business may be conducted. Such companies possess, of course, the powers generally granted to all corporations. The special powers are usually enumerated in detail; and in those cases where they are not so enumerated there is usually a provision authorizing them to undertake "any lawful trusts" and to conduct all "such business as is usually carried on by such companies."

There is evidence that the trust company laws of the State of New York have been taken as a guide in the construction of trust company laws in many of the other States. This resulted, no doubt, both from the

* Details of these schedules, as well as of other matters here mentioned, are given in Chapter V.

Digitized by Google

fact that New York has long been the financial centre of the country, and because it was early in the field with a general trust company law, such a law having been passed in 1887. The fact that New York's laws have for many years served as guides in many lines of legislation other than financial must also have had its influence.

It will be useful to know in detail the provisions of the New York laws regarding the powers of trust companies, and the sections of the statutes giving these powers are therefore presented in full:

POWERS OF TRUST COMPANIES IN NEW YORK.

(As amended by Chapter 194, Acts of 1908.)

Section 156. *Powers of Corporation.*—Upon the filing of any such certificate of authorization of a trust company, the persons named therein and their successors shall thereupon and thereby become a corporation, and in addition to the powers conferred by the general corporation law and the stock corporation law, shall have power:

1. To act as the fiscal or transfer agent of any state, municipality, body politic or corporation; and in such capacity to receive and disburse money, to transfer, register and countersign certificates of stock, bonds or other evidences of indebtedness, and to act as agent of any corporation, foreign or domestic, for any lawful purpose.

2. To receive deposits of trust moneys, securities and other personal property from any person or corporation, and to loan money on real or personal securities.

3. To lease, hold, purchase and convey any and all real property necessary in the transaction of its business, or which the purposes of the corporation may require, or which it shall acquire in satisfaction or partial satisfaction of debts due the corporation under sales, judgments or mortgages, or in settlement or partial settlement of debts due the corporation by any of its debtors.

4. To act as trustee under any mortgage or bonds issued by any municipality, body politic or corporation, and accept and execute any other municipal or corporate trust not inconsistent with the laws of this state.

5. To accept trusts from and execute trusts for married women, in respect to their separate property, and to be their agent in the management of such property, or to transact any business in relation thereto.

6. To act under the order or appointment of any court of record as guardian, receiver or trustee of the estate of any minor, and as depositary of any moneys paid into court, whether for the benefit of any such minor or other person, corporation or party.

7. To take, accept and execute any and all such legal trusts, duties and powers in regard to the holding, management and disposition of any estate, real or personal, and the rents and profits thereof, or the sale thereof, as may be granted or confided to it by any court of record, or by any person, corporation, municipality, or other authority; and it shall be accountable to all parties in interest for the faithful discharge of every such trust, duty or power which it may so accept.

8. To take, accept and execute any and all trusts and powers of whatsoever nature or description as may be conferred upon or intrusted or committed to it by any person or persons, or any body politic, corporation or other authority, by grant, assignment, transfer, devise, bequest or otherwise, or which may be intrusted or committed or transferred to it or vested in it by order of any court of record, or any surrogate, and to receive and take and hold any property or estate, real or personal, which may be the subject of any such trust.

9. To purchase, invest in and sell stocks, bills of exchange, bonds and mortgages and other securities; and when moneys or securities for moneys are borrowed or received on deposit, or for investment, the bonds or obligations of the company may be given therefor, but it shall have no right to issue bills to circulate as money.

Digitized by Google

10. To be appointed and to accept the appointment of executor of or trustee under the last will and testament, or administrator with or without the will annexed, of the estate of any deceased person, and to be appointed and to act as the committee of the estates of lunatics, idiots, persons of unsound mind and habitual drunkards.

11. To exercise the powers and possess the privileges conferred on banks and individual bankers by sections fifty-five and fifty-six of this chapter, subject to the restrictions contained in said sections. No such corporation shall have any right or power to make any contract, or to accept or to execute any trust whatever, which it would not be lawful for any individual to make, accept or execute. No loan exceeding in amount one-tenth of its capital stock shall be made by any such corporation (directly or indirectly), to any director or officer thereof, and no loan to such director or officer shall be made without the consent of a majority of the directors. No such corporation shall transact its ordinary business by branch office in any city not named in its certificate of incorporation or charter as the place where its business is to be transacted. No trust company shall open a branch office without first having obtained the written approval of the superintendent of banks to the opening of such branch office, which written approval may be given or withheld in his discretion, and shall not be given by him until he has ascertained to his satisfaction that the public convenience and advantage will be promoted by the opening of such branch office; and, provided further, that no trust company in this state, or any officer or director thereof, shall open or maintain a branch office, unless the capital of such trust company actually paid in cash shall exceed the amount required by the law under which it was incorporated by the sum of one hundred thousand dollars for each branch office so opened or maintained. Every trust company and every such officer or director opening a branch office without such written approval shall forfeit to the people of the state the sum of one thousand dollars for every week during which any branch office shall be maintained without such written approval. No foreign corporation shall have or exercise in this state the power to receive deposits of trust moneys, securities and other personal property from any person or corporation, or any of the powers specified in sub-divisions one, four, five, six, seven, eight, ten and eleven of this section, nor have or maintain an office in this state for the transaction of, or transact directly or indirectly, any such or similar business.

Section 157. When any such corporation is appointed executor in any last will or testament, the court or officer authorized to grant letters testamentary in this state shall, upon the proper application, grant letters testamentary thereon to such corporation. When application is made to any court or officer having authority to grant letters of administration with the will annexed upon the estate of any deceased person, and there is no person entitled to such letters who is qualified, competent, willing and able to accept such administration, such court or officer may, at the request of any party interested in the estate, grant such letters of administration with the will annexed, to any such corporation. Any court or officer having authority to grant letters of guardianship of any infant, may, upon the same application as is required by law for the appointment of a guardian of such infant, appoint any such corporation as guardian of the estate of such infant. Any court having jurisdiction to appoint a trustee, guardian, receiver or committee of the estate of a lunatic, idiot, or habitual drunkard, or to make any fiduciary appointment, may appoint any such corporation to be such trustee, guardian, receiver or committee, or to act in any other fiduciary capacity. All moneys brought into court by order or judgment of any court of record may be deposited with any such corporation, that has been designated by the comptroller of the state of New York, as provided by the code of civil proceedure.

By amendments passed in 1898 and 1901, certain trust companies may add to the above powers those of safe deposit, title insurance and credit guaranty.

It will be seen that the powers here granted are very wide. Those fiduciary powers that are not specifically granted are conceded by the

Digitized by Google

general power to accept appointment to act in "any other fiduciary capacity," so that in the State of New York a trust company may act in any fiduciary capacity in which a natural person may act. The same broad powers are given to trust companies in most of the other States having general trust company laws, and are included in the special charters in most of the States creating such companies by special acts. The banking powers granted in New York are exceptional, however, and are granted in less than half of the other States; but by very liberal construction of the statutes trust companies frequently transact substantially a banking business in States where the statutes do not specify such powers.

Of the powers usually granted to trust companies by the State laws, some may properly be looked upon as essential or natural to a "trust" or "trustee" company, while others are manifestly auxiliary to its essential powers. In the former group would be included powers to act as trustee for any purpose, as executor, administrator, guardian, agent, etc. Other powers, such as banking, savings banking, safe deposit, fidelity and title insurance, etc., more or less closely allied to the business of the typical trust company, may be classed as auxiliary powers.

That the legislators have taken some such view of the case is evident from a study of the powers granted. Both in the States having general trust company laws and in those which charter trust companies by special act of the Legislature, there is practical unanimity in the granting of the powers included in the first group, while those in the second group, with the exception of safe deposit, are not so generally given.

It is beyond the scope of the present inquiry to attempt to discuss the powers impliedly given to trust companies by the various statutes, or to assemble the decisions of the courts regarding the extent of such powers. But it will be useful to compare, briefly, the powers explicitly given to these companies by the States having general trust company laws.

As already suggested, the greatest unanimity appears in the granting of powers to act as trustee, as executor and administrator, as guardian, as agent, etc.

The power to act as executor and administrator is specifically granted in all of the thirty-seven States named, except Kansas, Maine, Oregon and Wyoming. In Kansas it would seem to be impliedly granted by the wide general powers conferred. Wyoming permits the acceptance of "any trust in writing." Maine presents an interesting case. In this State trust companies may act as executor; but are expressly forbidden to act as administrator or as guardian, even if their special charters specifically grant such powers. The Oregon statutes do not enumerate the powers of trust companies.

The power to act as guardian of minors, persons *non compos mentis*, etc., is specifically granted in all of the thirty-seven States named except Maine, Oregon and Wyoming. The guardianship of minors usually, and

Digitized by Google

of other persons always, applies to the estate only. In most States the power named is to act "as guardian of the estates," etc.; in some, it is the indefinite power to "act as guardian." California, Illinois, Louisiana, Massachusetts, Ohio and Tennessee specifically state that the guardianship of minors shall be of the estate only, and not of the person. On the other hand, power to act as guardian of both the estate and the person of minors is specifically given in Arkansas, Indiana, Kansas, Minnesota and Montana. In the District of Columbia, trust companies may act as guardian of the estate of a minor only with the consent of the guardian of the person. The limitation formerly specified in the New York statutes, providing that trust companies may act as guardian of the estates of minors, the income of which is one hundred dollars per annum or more, is also found in the statutes of Colorado and Georgia.

Sixteen of the States and Territories specifically grant the power to accept and execute trusts for married women with respect to their separate estates.

A power always included is that to act as trustee for various purposes. It is usually stated that the company may act as trustee for individuals, for corporations both public and private, for municipalities and States. The power to act as fiscal agent and as registrar and transfer agent is as a rule specifically given, as are also the powers to act as depositary of funds paid into court and of funds under the care of executors, administrators, guardians, etc.; to manage estates; to receive trusts from courts; to hold deposits of trust moneys; to act as receiver or assignee; to act as agent for the investment of money; to make loans on real or personal property; to deal in bonds, stocks and securities.

Regulations Regarding the Holding of Real Estate.

The regulations regarding the holding of real estate by trust companies are usually somewhat more liberal than those which govern the real estate holdings of National banks, but a few States, notably Louisiana and Michigan, make provisions almost identical with those of the National Banking Act. Most of the States grant the power to hold such real estate as is necessary for the transaction of the company's business, and such as it may acquire in settlement or partial settlement of debts due to it. While the intent usually appears to be to limit the holdings much as those of National banks are limited, the language is often such as to permit of a liberal construction. As an example of statutes permitting such liberal construction, that of New Jersey reads as follows: "To lease, hold, purchase and convey any and all real estate necessary for or convenient in the transaction of its business, or which the purposes of the corporation may require, or which it shall acquire in satisfaction or partial satisfaction of debts due the corporation under sales, judgments or mortgages, or in settlement or partial settlement of debts due the corporation by any of its debtors."

Digitized by Google

There are, however, great differences in the wording of the statutes in the different States and Territories relating to this matter, and it is not possible to form a correct idea of their purport without a separate and detailed account of the statutes in each State. Perhaps the widest powers of this kind are those of trust companies in Idaho and Pennsylvania, which, besides holding real estate that is the subject of title insurance by them, have the right "to purchase and sell real estate and take charge of the same," and in Utah, where they may "buy, sell or mortgage" real estate.

The right to hold real estate in trust for others is of course included in the trust powers given to trust companies.

Auxiliary Powers of Trust Companies.

Of the powers usually looked upon as auxiliary to the main business of trust companies, that of conducting a safe-deposit business is the one which the States are most nearly unanimous in granting. Indeed, this business has come to be looked upon as being quite as essential to trust companies in the larger cities as any other function.

The fidelity insurance business is specifically permitted to trust companies in about half of the States and Territories, while in a number of others trust companies are given more or less limited powers in the way of guaranteeing bonds and acting as surety for particular purposes. West Virginia specifically prohibits trust companies from acting as surety on bonds or guarantor for individuals, firms or corporations. Connecticut prohibits trust companies from engaging in any kind of insurance business, except that certain companies already engaged in title insurance are allowed to continue.

About a third of the States grant the specific power to trust companies to conduct a title insurance business. In Pennsylvania trust companies are organized under the title insurance company law, which grants most of the trust powers.

Banking Powers of Trust Companies.

In view of the great extent to which trust companies engage in the business of both savings and commercial banking, the statutory provisions regarding the transaction of such business are of special interest. But even a cursory examination of the statutes reveals the fact that the power to conduct such business usually depends more upon the implied powers and upon the interpretation of the statutes than upon powers specifically granted. One is met at the outset by the question as to what constitutes banking powers as distinguished from trust powers in the handling of funds. There is evidence that the legislators themselves were in most cases not clear as to the extent to which they were permitting the banking business. In several States, as for example Colorado and Pennsylvania, trust companies are forbidden to engage in banking

Digitized by Google

"except as herein authorized;" while they seem to be authorized to undertake several important banking functions. In Colorado specific powers are granted to receive demand deposits and to "purchase" bills of exchange, etc., and to loan on real or personal security. The same powers are held by trust companies in Pennsylvania. The power to purchase commercial paper differs only in form from the power to discount it, and not much ingenuity is required to do an actual discount business under these statutes, and such discounting in the form of purchase is widely carried on in Pennsylvania.

So far, then, as the receiving of both demand and time deposits, the discounting of commercial paper and the making of loans on real and personal security constitute a banking business, trust companies in these States may do a banking business in spite of the apparent intention to forbid such business.

Another interesting case is that of New Jersey. In this State trust companies are forbidden "to discount commercial paper;" but they have specific authority "to purchase, invest in and sell * .* * promissory notes, bills of exchange. * * *" They also have specific authority to receive deposits subject to check.

About twenty of the States and Territories appear to grant the specific power to purchase or discount commercial paper, while about the same number grant the specific power to receive both time and demand deposits. Unquestioned power to do a banking business is given in Alabama, Arkansas, Georgia, Idaho, Louisiana, Maine, Mississippi, Montana, New York, North Carolina, Oregon, Tennessee, Texas, Utah, Washington, West Virginia and Wyoming. In Ohio and Kentucky, while trust companies organized simply as such may not do banking, companies may be organized to do both kinds of business. An analogous case is that of Illinois, where banks may be given trust powers. In several other States the statutes readily permit the interpretation of granting banking powers. Indiana, Michigan, Minnesota and Wisconsin specifically prohibit banking.

The fact is that it is a very difficult task to draw a hard and fast line between banking business and business in the handling of money that is purely and simply a trust business. Indeed, banking is itself, in a sense, a trust business. If extreme instances be taken, it is of course a simple matter to say that this is a trust business, and that is a banking business. But just where to draw the line between the two classes of functions is quite a different matter. When, therefore, the legislator sets before himself the task of forbidding trust companies to do a banking business, he must solve not only the problem of how to provide for the enforcement of the statutes he may devise, but also the more intricate problem of clearly distinguishing between that which he means to authorize and that which he means to forbid. On the whole, considering the difficulty of the problem, and the industrial conditions under which trust companies have developed, it is not surprising that trust companies in

Digitized by Google

most States do a banking business in spite of the lack of specific authority.

A noticeable thing about the powers usually granted to trust companies is the evident intention to place them on an absolute par with natural persons in their power to accept and execute trusts of every description. In a considerable number of the States the statutes carefully provide that such corporations may accept and execute any trusts not inconsistent with the laws of the State and of the United States, "to the same extent and in the same manner as natural persons."

Regarding the powers of trust companies in those States where their charters are granted only by special act of the Legislature, it is not possible to speak in general terms without an examination of each and every such charter, further than to say that as a general rule the powers so given are quite as wide and as varied as those given by general laws.

In the few States in which no trust company laws exist, and where special charters are not granted, considerable ingenuity has been necessary to carry on the trust business under the general corporation laws. Americans are not lacking in ingenuity, and the way has usually been found when needed. Thus, where the corporation had not the power to act as trustee, administrator, etc., individual directors or officers have taken such appointments, the companies have furnished the necessary security, and the business in its details has been performed by the company. In the State of Washington, before the passage (in 1903) of the Trust Company Law, some of the courts held, contrary to the usual legal ruling, that trust companies, being created artificial "persons," were therefore endowed with the powers of natural "persons." The well-established principle of the common law is that corporations possess only such powers as are specifically granted in their charters.

Statutory Provisions for the Regulation of Trust Companies.

Statutes intended to throw safeguards about the prosecution of the business of trust companies are found in a majority of the States and Territories having general trust company laws, and also among a number of the States in which such corporations are chartered by special acts of the Legislatures.

The methods commonly relied upon in such statutory attempts at regulation and supervision include provisions for a capital adequate to support the probable credit operations of the company and to provide security for its creditors; the accumulation of a surplus fund, to supplement the good accomplished by the provision for adequate capital; the double liability of stockholders; deposit with State authorities by the trust company of moneys or securities to be held in trust for the security of creditors of the trust department; restrictions on loans, on investments, on general liabilities and on the manner of conducting the trust business; a sufficient reserve fund; supervision by State officials, through reports of condition, and examinations.

Digitized by Google

Few States attempt all these methods of regulation, and the lack of uniformity in the State laws in this particular is noticeable and regrettable.

The suggestion has been made that Federal control of trust companies would be of advantage, especially to the end of securing uniformity in the laws governing such corporations. Doubt has been expressed whether, in view of the diversity of conditions existing in the various States and Territories, a uniform law is desirable, the opinion being held by many that to place all trust companies under uniform restraint, irrespective of local conditions, would unduly restrict the operations of these corporations. However this may be, a uniform law seems to be impracticable for other reasons. It seems possible, however, that effectual regulation might be obtained by concerted action on the part of trust company officials and their associations. The matter has already engaged the attention of the Trust Company Section of the American Bankers' Association.

The provisions of the various States and Territories regarding the minimum capital with which trust companies may be organized have already been discussed. It need only be added now that for the most part the provisions in this matter are all that could be expected. In most cases, the minimum capital required could hardly be raised without practically prohibiting the organization of trust companies. It is generally recognized that trust companies ought to have a larger capitalization than banks, and the amount required usually compares very favorably with that required for both State and National banks in the same communities; the minimum capital being as a rule from two to ten times as large as that required of State banks. In not over half a dozen States is the capital of trust companies as low as that of State banks.

The accumulation of a surplus fund is a proceeding that trust companies in most communities adopt as a matter of course, being impelled thereto by the manifest advantages of such a step as a measure of safety and as a means of gaining business in competition with other companies having large surplus funds. Perhaps it is on this account that the legislators have not generally considered it necessary to place in the statutes a requirement for the accumulation of such a fund, although it may also be explained by the other provisions for safety adopted, which may have been thought ample in many cases. At any rate, only a minority of the States and Territories require the accumulation of a surplus fund by trust companies. Idaho, Louisiana, Michigan, New Mexico, New York, New Jersey, Ohio, Oregon, Washington and West Virginia require that before a dividend is declared one-tenth of the net earnings shall be carried to a surplus fund until such fund amounts to 20 per centum of the capital. Kansas and Texas require that the same percentage of earnings be carried to surplus fund until the latter equals one-half of the capital, and South Dakota, until it equals 30 per centum of the capital. Missouri requires that one-tenth of the net earnings be carried to a "guaranty"

Digitized by Google

fund, until the fund equals the capital. Only a few other States have provisions of this kind.

In some States, the double liability of stockholders, *i. e.*, the provision that stockholders shall be liable for the debts of the corporation to an amount equal to the par value of their stock, in addition to full payment for such stock—applies to all corporations, trust companies among them. This was the case in Ohio, until in 1903, by vote of the people, an amendment to the constitution removing such double liability was carried. Just how this affects companies already existing is a question for the courts to decide. At present the laws apply the double liability of stockholders to trust companies in Colorado, the District of Columbia, Georgia, Idaho, Illinois (if doing banking business), Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota (constitutional requirement), Montana, New York, North Carolina, Rhode Island, South Carolina (if doing banking), South Dakota, Utah, Texas, Vermont, Washington, West Virginia and Wyoming.

Sixteen of the States require trust companies to deposit cash or securities of a specified character with State officials, to be held in trust as security for the company's creditors. As a rule these deposits are for the special protection of creditors of the trust department, and in such cases the deposit is ordinarily not required unless the company undertakes such trusts as those of executor, administrator, guardian, etc. A few of the States, however, make this deposit a protection to all of the company's creditors, and require such deposit before the company is authorized to do business. The income from such deposits goes to the company so long as it is solvent. In several States the deposit is stated to be in lieu of giving special bond or security in the case of each trust, and need not be made if the company elects to give such special bonds instead. The amount of the deposit is $50,000 in North Dakota, Oklahoma and Texas; $100,000 in California; $200,000 in Missouri. In Illinois it is $200,000 in cities of 100,000 or more inhabitants, and $50,000 in smaller cities. In Michigan, it is fifty per cent. of the capital, but not more than $200,000 in amount; in Wisconsin, fifty per cent. of the capital, but not more than $100,000 in amount. The District of Columbia requires a deposit to the amount of one-fourth of the capital. Minnesota requires the deposit to be at least $50,000, and not less than one-fourth of the capital. In New Jersey the securities so deposited must equal in value at least one-fifth of the liabilities incurred as assignee, receiver, administrator, guardian or trustee, unless the deposit amounts to at least $100,000, in which case it need be only one-tenth of such liabilities. The amount of the deposit in New Mexico is from $50,000 to $200,000. In New York it must amount to ten per cent. of the paid-up capital, but not less than $100,000 in amount in cities whose population exceeds one hundred thousand, $50,000 in cities of from one hundred thousand to five hundred thousand, $30,000 in cities of from twenty-five to one hundred thousand, and $20,000 in smaller places. Maryland requires fifteen per cent. of the capital, and not less than $30,000 in

Digitized by Google

amount; Virginia, five per cent. of the capital, and not less than $12,500 nor more than $25,000 in amount. In Ohio, the amount is $100,000 for companies whose capital is more than $200,000, and $50,000 for smaller companies. Instead of a deposit, South Dakota requires trust companies, before undertaking any trust, to furnish a bond in favor of the State in an amount equal to the capital.

Restrictions in Relation to Loans.

The majority of the States having any kind of trust company legislation place restrictions on trust companies regarding their loans, their investments or their total liabilities. Such restrictions vary greatly in the different States, being quite ample in some, and very meagre in others. The most common provisions are those forbidding trust companies to make loans on their own stock as security, and to make loans to their directors, officers or employees. Where the classes of investments for capital and trust funds are specified, the investments permitted are usually in municipal bonds, railroad bonds and mortgages secured by ample margin on real estate. The provision that neither the deposits nor the loans may be allowed to exceed ten times the amount of the paid-up capital and surplus is found in the statutes of California, Illinois and Maryland; but in the last-named State it does not apply to funds deposited by order of the courts. Colorado forbids trust companies to invest in the stocks or bonds of private incorporated companies. Among other provisions sometimes found are those limiting the amount of loans to one person, firm or corporation, the limit often being ten per cent. of the capital and surplus, except that on loans secured by collateral it may be twenty per cent.

Many of the States provide that trust funds and accounts must be kept separate from all other funds and accounts of the company.

Largely as a result of efforts made by the American Bankers' Association, statutes have been passed in a number of States forbidding the use of the word "trust" in titles by any but regularly organized trust companies. The following now have legislation of this character: Alabama, California, Colorado, Connecticut, Hawaii, Indiana, Iowa, Kansas, Maine, Massachusetts, Minnesota, Mississippi, Montana, New Jersey, New York, Oregon, Rhode Island, Texas, Washington, West Virginia, Wisconsin and Wyoming.

Trust Company Reserves.

The question of trust company reserves is of special interest. The fact that trust companies compete to so great an extent with banks has resulted in a growing demand from the banks especially, and from the general public to some extent, that trust companies be placed under the same regulations as banks, particularly in the requirement of a reserve fund. The battle over this point has been waged with special fierceness in New York, where, until 1908, there was no provision for reserves of

Digitized by Google

trust companies. That there is need for such agitation is shown by the fact that about a third of the States and Territories have no satisfactory requirements regarding reserves. This does not mean, of course, that trust companies in these States do not actually keep reserve funds, for the unwitten laws of business and of competition are quite as insistent upon obedience as are the laws of the statute books. The best-managed companies everywhere keep as large reserves as their business demands; and it is for the poorly-managed concerns that the statutory provisions are necessary, just as criminal laws are needed, not for the law-abiding people, but for the lawless. If the wisdom of State regulation in any particulars is conceded, the necessity of a requirement for an adequate reserve fund certainly must be.

An examination of the statutes shows that where the question has been taken up and acted upon by the State legislators, the opinion has quite generally prevailed that the reserve required to be kept by trust companies ought to be about the same as that required of State banks.

The following table shows the reserves required of trust companies in various States. Except where otherwise stated, the percentages refer to the ratio of reserve to aggregate deposits. In some cases the reserve named in the table applies to trust companies only when they do a banking business; in which case it is frequently the same as for banks.

Alabama	15%, 2-5 in cash.
California	20% in cities of 200,000 or more; 15% elsewhere: ½ in cash.
Connecticut	15%, 4-15 in cash.
Idaho	15%, ½ in cash.
Kansas	25% of demand, 10% of time deposits.
Louisiana	25% of demand deposits, 8% in cash.
Maine	15% of deposits payable on demand or within ten days.
Massachusetts	In Boston, 20% of aggregate deposits less time deposits not payable within thirty days; elsewhere, 15% of same; 2-5 in cash. Reserve companies in Boston, ½ in cash.
Michigan	20% of "Matured obligations and money due and payable." ¼ in cash.
Missouri	15% of demand deposits.
Montana	15%.
New Jersey	15% of demand deposits, 1-5 in cash.
New Mexico	15% of liabilities, less deposit with Territory. 2-5 in cash.
New York	Reserves are figured on aggregate deposits less trust funds, time deposits not payable within thirty days, and deposits secured by New York State bonds. In New York city, borough of Manhattan, 15%, all in cash. In New York city, other boroughs, 15%, 2-3 in cash. Elsewhere in state, 10%, ½ in cash.
North Carolina	15%, 2-5 in cash.
Ohio	15%, 6% of demand and 4% of time deposits in cash.
Oregon	15% of demand and 10% of time deposits, in cities of less than 50,000; elsewhere, 25% of demand and 10% of time deposits. 1-3 in cash.
Pennsylvania	15% of demand and 7½% of time deposits, 1-3 in cash.
Rhode Island	15%, 2-5 in cash. (Savings department excepted.)
South Dakota	25% of demand and 10% of time deposits.
Texas	25% of demand deposits, 1-10 in cash.
Washington	20% of demand deposits.
West Virginia	15% of demand deposits, 2-5 in cash.
Wyoming	25%.

Digitized by Google

Reports and Examinations.

Whatever restrictions are placed upon these corporations by the statutes, such restrictions must evidently be of little avail in the cases of those companies which are inclined to evade the law, unless means be provided of keeping the State officials acquainted with the way in which their business is being conducted. The natural ways of accomplishing this result are by means of frequent reports and of examinations. The value of reports is of course in direct ratio to the honesty and frankness of the officials of the company making such report, and their usefulness therefore becomes slight when made by dishonest officers. It is a matter of common knowledge that reports may be easily "doctored" so as to make an insolvent institution appear very prosperous, and that the last reports published by defunct companies usually indicate a sound condition. But if the requirement of reports be made in connection with frequent examinations which reveal the truthfulness or untruthfulness of the reports, they serve a useful purpose.

The laws now require trust companies to furnish reports in over forty of the States and Territories. The frequency of such reports varies from one to five times per annum; and in the States having the most carefully prepared laws on the subject, special reports may be called for at any time by the State official to whom the reports are made. In Tennessee the reports are not made to any official, but are merely published in a newspaper. A number of the States designate the character of the information to be given in the reports, and some of them specify in detail and at some length the exact form required for such reports, the form in a few States requiring a complete list of all investments, and a description of the property held in trust. The completeness of these reports is in striking contrast with the meagreness of those which satisfy the requirements of the law in some of the States, where the provisions on the subject are most unsatisfactory. Most of the States which require reports provide that they must be published in a local newspaper.

Trust companies are liable to some sort of an examination by State officials in about forty of the States; but in about one-fourth of these the examinations need not be made periodically, but only at the discretion of an official who very probably has little time or inclination for the work, so that companies may go for years without examination. In all of the States the courts probably have the right to investigate a trust company's handling of trusts committed to them by such courts to the same extent as though the trusts were committed to individuals. This right is specifically mentioned in a majority of the States. A few States also provide that the books of the company shall be open to inspection by persons interested in any trust held by the company.

Where periodical examinations are required, their frequency is either once or twice per annum, with special examinations at any time at the discretion of the examining official.

Digitized by Google

The State officials under whose supervision trust companies are placed in the different States vary greatly. Where a State banking department is in existence, the head of that department has supervision of trust companies. In a few States this duty is entrusted to the State Insurance Commissioner. In other States it is exercised by the State Auditor, the State Treasurer, or the Secretary of State. In the District of Columbia the Comptroller of the Currency has supervision of trust companies.

In over a dozen States trust companies are under practically the same regulations regarding reports, examinations, etc., as the State banks.

The principle of State supervision of banks, insurance companies and other financial institutions is pretty thoroughly established in this country, although there are those whose strong objections to "paternalism" in government lead them to look with disfavor upon such supervision. The excellent record of the National banking system certainly affords strong argument for Government supervision of banks. This is perhaps not the place to discuss the general question; but if the principle of supervision is accepted, as in the writer's opinion it ought to be, there is certainly great room for improvement in the laws of most of the States and Territories in the regulation and supervision of trust companies. Less than one-half of them can be said to have satisfactory statutes for the control of such institutions.

On the other hand, it may be said with much truth that great progress has been made, and that, considering the short time that trust companies have been a factor in the financial world, the progress has been quite remarkable. It took many years to develop our banking systems out of the chaotic conditions of the first half of the nineteenth century. Then, too, the attitude of the trust companies themselves promises much for rapid advancement in legislation regarding them. The great majority of the leading companies welcome the placing of greater safeguards about the business. In a number of instances legislation designed to regulate trust companies has come through the agitation of the subject by the trust companies themselves. Many trust companies in States where the laws do not require examinations are in the habit of having their business thoroughly examined by expert accountants.

Digitized by Google

CHAPTER V.

SUMMARY OF STATE AND TERRITORIAL LAWS RELATING TO TRUST COMPANIES.

The aim in the preparation of this summary has been to include the essential facts, greatly condensed, of the laws of the several States and Territories specifically relating to trust companies. Effort has been made to have it correct as far as it goes, and to include the latest legislation on the subject. The scope of the work is, however, limited to a summary of statutes specifically relating to trust companies, and no effort has been made to include reference to all corporation or banking laws that might be construed as applying to trust companies.

The writer wishes to acknowledge his indebtedness to officials of the various States and Territories for copies of State and Territorial laws on the subject and for information furnished; and also to E. A. Feasel, Librarian of the Cleveland Law Library, for courtesies extended in the use of the library, without which the preparation of this summary would have been impossible.

ALABAMA.

THREE or more persons may incorporate for the purpose of carrying on any lawful business, under the Business Corporation Act, section 16 of which defines the powers of banks and trust companies doing a banking business. The powers specified are to do a regular banking business, including discounting; to make loans of all kinds; to issue bills to circulate as money, upon the terms prescribed in the Constitution of the State; to become trustees for any purpose; to be appointed and to act as executors, administrators, guardians and receivers; and to "do any business and exercise any powers incident to the business of trust companies doing a banking business." Married women and children may control their own deposits. Stockholders are not subject to double liability. Stockholders have the right of access to the books and records at reasonable and proper times. Trust companies may consolidate with other banks or trust companies.

Reports according to a form prescribed by him must be made to the State Treasurer not less than twice each year, such reports to be as of any past day specified by the Treasurer. They must be published in a local paper. The State Bank Examiner, who is under the direction of the State Treasurer, must examine each company at least once a year, without previous notice, and oftener if so directed by the State Treasurer. The capital required is $25,000 in towns of less than 5,000 inhabitants; $75,000 in cities of from 5,000 to 30,000; $100,000 in larger cities. The reserve required is 15 per centum, of which two-fifths must be in cash in vaults. Loans may not be made to officers or employees "without good security." Loans to one party may not exceed 10 per centum of the capital, surplus and undivided profits, unless amply secured by good collateral or approved by a majority of the board of directors.

Digitized by Google

Prior to the passage of the above-named Act, in 1903, trust companies were chartered by special acts of the Legislature, and such charters usually grant ample powers.

(General Laws 1903, Nos. 395 and 522; Laws 1907, No. 243.)

ARIZONA.

Trust companies are incorporated under the general incorporation law, under which any number of persons may associate for incorporation "for the transaction of any lawful business." The trust company law is found in the Acts of 1903, No. 31. Powers specified, to act as executor, administrator, guardian, trustee, or guardian of the estate of a lunatic, idiot, minor, "or to act in any other fiduciary capacity as if it were a natural person." The articles of incorporation must authorize such powers. The courts are given power to make such appointments. Such courts or officers making appointments may require the company to give such security as they deem proper, and to make orders regarding the trusts committed to them and to require all accounts that they might require of a natural person acting in the same capacity. Trust companies are forbidden to make loans on their capital stock, or to purchase same except to prevent losses on debts previously contracted. They must report to the Auditor of the Territory, who is ex-officio Bank Comptroller, annually. The Comptroller must examine each company annually or oftener, and after each examination report their condition to the Attorney-General.

(Code 1901, paragraphs 130, 131, 764. Acts 1903, No. 31. Acts 1907, No. 96.)

ARKANSAS.

Three or more persons may associate under the provisions of the general incorporation law to be incorporated as a trust company. Articles of association shall state the face value of the shares, but same may not be more than $1,000. The capital, paid up, must be not less than $100,000 in counties whose population exceeds 50,000; not less than $75,000 in counties whose population is from 40,000 to 50,000; and in no event less than $50,000. Powers specified, to receive moneys in trust, and to accumulate same; to allow interest at not exceeding the highest rate allowed by law; to accept and execute all such trusts and perform such duties of every description as may be committed to them by State or United States courts; to hold real or personal estate or trusts created in accordance with the laws of the State, and execute legal trusts in regard to same; to execute or guarantee any bonds required to be given in proceedings in law or equity in the courts of the State, but no such bond shall exceed one-half the paid-up capital of the company; to act as agent for the investment of money for other persons, and as registrar or transfer agent; to execute trusts for married women in respect to their separate property, real or personal, and as agent in the management of

Digitized by Google

same, "and generally to have and exercise such powers as are usually had and exercised by trust companies;" to act as administrator, receiver of any estate, guardian or curator of any infant or insane person or his estate; to conduct fidelity insurance and title insurance business; to loan money on real estate and collateral security; to issue its debentures or notes and to pledge its mortgages upon real estate and collateral securities as security therefor; to buy and sell Government, State, municipal and other bonds, negotiable and non-negotiable papers, stocks and other investment securities. "In all other respects such corporations shall be governed by the laws of the State governing banks, and subject to such examinations as banks are now, or hereafter may be, subjected to by the laws of this State." Any trust company now existing may avail itself of this act, if its capital be such as required hereby. (Laws of 1903, Act 135. Laws of 1907, Act 208.)

California.

Trust companies are organized under the provisions of the general incorporation law. Number of corporators required, three or more. (Civil Code, 1906, Paragraph 287). Such companies are regulated and governed by the provisions of an act approved April 6, 1891 (chapter 264, Laws 1891)—(as since amended). Powers specified, to act as executor, administrator, guardian (of estate only, not of person), assignee, receiver, depositary, trustee. In these capacities their compensation shall not exceed that allowed to natural persons for like services. Courts are authorized to make these appointments. Courts may permit persons holding like trusts to deposit their funds with a trust company, and have the amount of their bonds reduced. Such corporation shall not be required to give bond or security other than the deposit with the State, but shall be responsible for funds handled same as a natural person. The paid-in capital must always equal at least ten per centum of the total deposits and amount due creditors, the surplus being reckoned as a part of the capital. But the maximum capital required by this provision shall not exceed $1,000,000.

A trust company may not act in fiduciary capacities unless it has a capital of at least $100,000, of which $100,000 is paid in cash. Interest must be paid on all moneys held in trust. The company must deposit with the Treasurer of the State, before accepting any trust above mentioned, or deposits of trust money, the sum of $100,000 in bonds of the United States, the State of California, or any county, city or school district thereof, or in first-lien mortgages on improved and productive real estate in the State, worth at least twice the amount loaned thereon. Such securities shall be registered in the name of the Treasurer of the State, and may be exchanged from time to time. The company shall receive the income from same, so long as it is solvent and conforms to the law. If the paid-up capital of the company exceeds $250,000, it may mortgage any improved and productive real estate owned by it to the State Treasurer, and have same counted as a part of the deposit.

Digitized by Google

Trust companies are required to render to the Bank Commissioners, at their call at least three times a year, complete reports of condition as of a specified past day. Special reports may be called for by the Commissioners. They must examine each company at least once a year. Every company must obtain from the Commissioners a license to do business. The use of the word "trust" in titles is forbidden to other corporations. Trust companies are forbidden to make loans upon their own stock, or to purchase same, except to prevent loss upon debts previously contracted, in which case the stock must be sold within six months. The reserve required is twenty per centum of demand or immediate liabilities and of time certificates of deposit, if the company is located in a city of 200,000 or more inhabitants; or fifteen per centum if located elsewhere. One-half of the reserve may be on deposit subject to call in any solvent bank or trust company.

The term "trust company" is barely mentioned in the statutes; the act granting trust powers is entitled "An act authorizing certain corporations to act as executor and in other capacities," etc.

Foreign corporations, to do business in the State, must file with the Secretary of State and with the county clerk in the county in which their principal office in the State is located, a certified copy of their articles of incorporation or of their charters or of the statutes under which they were created. Such companies must in any case designate some person residing in the State upon whom process may be served.

(Civil Code, 1906, pp. 702, sqq. [This is the Act of April 6, 1891, as amended 1897, 424; 1903, 244; 1905, 232]; Civil Code, 1906, paragraphs 287, 290½, 583b; General Laws 1906, page 46, Act 296 [This is the act creating the Board of Bank Commissioners, passed 1903, 365, amended 1905, 304]; Laws 1905, chapter 259; Laws 1907, chapters 50, 75, 302, 453.)

Colorado.

Five or more persons may associate for incorporation as a trust company. They shall execute articles of incorporation as provided in section 2, chapter 19, General Statutes. One copy of these articles shall be filed with the Secretary of State, and one with the recorder of deeds in the county where the company is to do business. The capital, paid in full, in cash, must be at least $50,000 in cities of the second class, and at least $250,000 in cities of the first class. The number of directors must be three or more. Powers specified, to act as fiscal agent, registrar and transfer agent; to receive from persons, corporations or under order of court, deposits of money, securities or other personal property in trust or for investment or for safe keeping, subject to withdrawal on demand or on time certificates; to hold and accumulate same or pay interest thereon at not to exceed six per centum; to loan on real or personal security; to act as trustee under any mortgage or deed of trust or bond, "and to accept and execute any other trust" not inconsistent with the laws; to act

Digitized by Google

under order of court as guardian, receiver or trustee of the estate of any minor, the annual income of which is not less than $100, and to act as depositary of funds paid into court; to accept and execute any legal trusts regarding the handling of estates, real or personal, of living or deceased persons, confided to it by courts of record, persons, corporations or other authority, being accountable to all persons in interest for the faithful discharge of such trusts; to take and execute any trusts confided to it by courts of record and hold real or personal property in connection with such trusts; to purchase, invest in and sell stocks, bills of exchange, notes, bonds and mortgages and other securities, and to give receipts, certificates, bonds or obligations for same or for moneys borrowed; to act as executor, administrator, trustee under will, conservator or committee of the estate of lunatics, idiots, persons of unsound mind and habitual drunkards—courts being authorized to make such appointments; to conduct a safe-deposit business, a fidelity insurance business; "provided, that nothing herein shall authorize trust companies to engage in the business of banking except, in the event of being expressly authorized, except to the extent herein allowed and provided for." * * * "That all corporations incorporated under this act may do or perform all acts and exercise all powers connected with, belonging to or necessary for the full and complete exercise and discharge of the rights, powers and responsibilities hereinbefore granted, and all provisions of this act shall be liberally construed so as to accomplish the purposes and objects hereby proposed." A trust company may hold such real estate as is necessary to carry on its business.

Courts appointing the company to trusts may make such orders and require such accounts as they might if the company were a natural person. The trustees or board of directors have discretionary power of investing trust funds in the stocks or bonds of the United States, any State, any incorporated city or county of the State duly authorized, "or in such real or personal securities as they may deem proper, but no trust company shall invest in the stocks or bonds of any private incorporated company." No loan shall be made, directly or indirectly, to any trustee, director or other officer of the company, and no loan on the stock of the company. Stockholders are subject to double liability. In handling court trusts the company is subject to the same responsibilities, has the same powers, and shall receive the same compensation as individuals holding similar trusts, except as herein otherwise provided. Trust funds and investments must be kept separate from the assets of the company and be so designated as to show to what trust they belong. Trust companies are under the supervision of the State Bank Commissioner, to whom they must make not less than three reports a year, according to a form prescribed by him. The reports must be called for a past day, the days selected to be the same as those named by the Comptroller of the Currency for the first, third and fifth calls for reports of National Banks. Special reports may be called. The Commissioner must examine each company

Digitized by Google

twice a year or oftener. The use of the words "trust" or "trust company" in titles is forbidden except to regularly incorporated trust companies.

(Mills Annotated Statutes 1904, paragraphs 544-5441, incl. Laws of 1907, chapters 111 [H. B. 161] 138 and 140. See Revised Statutes 1908, sections 296-314 incl., section 847, sections 315-352 incl.)

CONNECTICUT.

Trust companies are incorporated by special act of the Legislature. There are a number of general laws regulating the business of such corporations, most of them applying also to State banks and Savings banks. Trust funds, unless it is otherwise provided in the instrument creating the trust, may be invested in such securities as Savings banks are allowed to invest in. These are specified in great detail, and include United States bonds, certain State and municipal bonds, loans on certain collateral, notes of two or more persons resident in the State, stock of banks and trust companies in the State or in New York city or Boston, certain railroad bonds, mortgages on real estate worth at least double the amount loaned and situated in the State or in certain specified places, and deposits in banks or trust companies in the State or in New York, Massachusetts or Rhode Island. Trust companies maintaining savings departments are required to invest the deposits of such department separately according to the rules for investment for savings banks; such investments being exclusively for the protection of savings depositors until their claims are paid in full. Such deposits are also treated separately for purposes of taxation. Notwithstanding anything in their charters to the contrary, trust companies are now (1908) expressly forbidden to issue, sell or negotiate their own bonds or mortgage securities, etc., as investments, to guarantee same, or to engage in any form of insurance business; except that a company actually engaged in the business of a title insurance and guarantee company on January 1, 1907, may continue such business.

Trust companies may receive deposits of public moneys under certain restrictions, but not to an amount from one official of more than thirty per cent. of the paid-up capital, surplus and profits of the company. They must maintain a reserve fund of fifteen per centum of aggregate deposits, of which not less than four-fifteenths must be in legal tender on hand. One-fifth of the reserve may consist of certain approved railroad bonds and the rest may be on demand deposit with specified reserve agents. Loans may not be made on the stock of the company. Loans to one person, firm or corporation may not exceed ten per centum of paid-in capital, surplus and profits, except that on collateral, with a margin of twenty per centum, such loans may not exceed twenty per centum of such capital, surplus and profits. Paper endorsed by officers or clerks of the company may not be discounted. Loans to parties out of the State may

Digitized by Google

not be made until the loans to residents amount to at least half the capital. Loans to directors may not exceed five per centum of capital, surplus and profits to any one, or twenty per centum to all together; but these provisions do not apply to loans on collateral with a margin of twenty per centum. Such loans on collateral to one director must not exceed ten per centum of capital, surplus and profits. The use of the word "trust" in signs or titles is forbidden except to regularly chartered trust companies. The statutes provide in detail for the issuance of a new savings pass-book when the old one is lost.

Trust companies are under the supervision of the Bank Commissioners, to whom they must render at least five reports each year, setting forth in detail such information as said commissioners may require. They are subject to examination semi-annually or oftener, the Bank Commissioners being required to examine each department of such companies. If the Treasurer of the trust company is also Cashier of a National bank, examinations must be made at the same time as the National bank examiner examines the National bank. If a trust company does a surety business, it is required to make annual reports with special reference to that business.

For purposes of taxation, trust companies must file statements with the tax commissioner annually during the first fifteen days of October, showing number of shares of stock, their market value, names and residences of stockholders and number of shares owned by each. In the February following, the company must pay to the State Treasurer a tax of one per centum on the market value of each share, less the amount of taxes paid on the company's real estate in the State, which is assessed in the taxing district in which it is located.

(Revised Statutes, 1902, sections 254, 1969, 3400, 3401, 3402, 3403, 3404, 3411, 3416, 3428, 3429, 3457, 3458, etc. Public Acts, 1903, chapters 167 and 204. Public Acts, 1905, chapters 54, 204, 207, 231. Public Acts, 1907, chapters 85, 86, 130, 180.)

Delaware.

Trust companies in this State are incorporated by special act of the Legislature. There are a few general laws regarding such corporations, most of them applying also to other financial corporations. They are under the supervision of the Insurance Commissioner, to whom they must render not less than two reports each year, according to the form prescribed by him, within twenty days of receipt of request from him for such report. Such report must be published once in a local newspaper. The Commissioner has authority to examine trust companies at his discretion or on request of the company. If unsafe conditions are revealed, the commissioner may take temporary charge, and report to the Attorney-General, who shall institute proceedings. If a trust company is authorized to act as surety or guarantor, it must file with the Insurance Com-

Digitized by Google

missioner a copy of its charter, make to him an annual statement and pay an annual license fee of $100, and other lesser fees. Courts are authorized to appoint trust companies to offices of trust; and may in their discretion not require such corporations to give surety on bonds given for faithful performance of duty; but the capital, surplus and property of the company shall be liable. All liabilities and obligations arising out of any such trusts are "made liens upon its real estate prior and paramount to any other lien or incumbrance the said corporation may create or suffer respecting the same."

(Statutes, Vol. XXII, chapter 330, sections 1, 2, 4, 5, 7, 8, 9. Laws of 1903, chapter 330.)

District of Columbia.

Twenty-five or more persons may incorporate to do "a safe-deposit, trust, loan and mortgage business." They shall file an organization certificate with the Commissioners of the District. Notice of intention to organize must be printed in two newspapers in the District at least four times per week for three weeks. The charter, when granted, must be filed with the recorder of deeds for the District, and copies of both the organization certificate and the charter must be filed with the Comptroller of the Currency, under whose supervision trust companies operate. The Comptroller has over trust companies the same visitorial and examination powers that he has over National banks, and trust companies must report to him as the National banks do. They may not begin business until the capital stock is paid in full and the deposit of securities with the Comptroller, hereafter described, is made. Powers specified, to make contracts; to sue and be sued, implead and be impleaded in any court as fully as natural persons; to make and use a common seal; to loan money; "to accept and execute trusts of any and every description which may be committed or transferred to them"; to act as a receiver, assignee, executor, administrator, guardian of the estates of minors with the consent of the guardian of the person of such minor, and committee of the estates of lunatics and idiots; to accept deposits of money for the purposes herein designated; to act as fiscal and transfer agent and registrar; to issue its debenture bonds upon deeds of trust or mortgages of real estate under conditions specified. The courts of the District are authorized to appoint trust companies to act in fiduciary capacities. The capital stock, all property of the company and the liability of stockholders and officers are to be considered as the security required by law for the faithful performance of duties, and are absolutely liable in case of default. Trust companies must also make a deposit with the Comptroller of the Currency, in trust, either in money or in bonds, mortgages, deed of trust or other securities equal in actual value to one-fourth of the capital stock paid in. The Comptroller may from time to time require an additional deposit not exceeding in value one-half the paid-in capital stock. The company may hold real estate not exceeding in value $500,000, and in

Digitized by Google

addition such as it may acquire in satisfaction of debts. But real estate acquired under foreclosure or to secure debts may not be held longer than five years. Charters of such corporations may be made perpetual, or may be limited in time, subject to the approval of Congress. The capital must be at least one million dollars, half paid in, and all paid within one year. Taxes of one and one-half per centum per annum must be paid, in lieu of personal taxes. Stockholders are subject to double liability. The number of directors must be not less than nine nor more than thirty; all of them must be stockholders, and at least half of them citizens and residents of the District. The District Supreme Court has jurisdiction over trust companies in the requirement of statements, examinations, making of orders regarding trusts, etc. Similar corporations already organized may acquire the privileges of this act, and all such are subject to its provisions. Congress reserves the right to alter, amend or repeal the act. Trust companies, in common with all other banking institutions in the District, are required to make the same reports to the Comptroller of the Currency that National banks are required to make. These reports must be published in two or more daily papers of Washington, one of which must be a morning newspaper. The Comptroller may examine such companies at his discretion, or may take possession of them for the same reasons and in the same manner as in the case of National banks.

(Code of the District, sections 715-748. Act approved June 25, 1906. Included as sections 186-220, and section 224, in National Bank Act, edition 1907.)

Florida.

There are no statutes regarding trust companies. Three or more persons may incorporate "for the transaction of any lawful business of a public or private character." (Revised Statutes, chapter 2, article 1, sec. 2122.) But banking corporations must have five or more incorporators, (section 2165). Foreign corporations may do business upon complying with certain provisions detailed in an act approved June 1, 1907. Chapter 4671 of Laws, approved June 1, 1899, authorizes solvent guarantee companies, surety companies, fidelity insurance companies and fidelity deposit companies to become surety upon the bonds of city, county and State officers.

Georgia.

Five or more persons may incorporate a trust company. They must file articles of incorporation with the Secretary of State. Before the filing of such articles, notice of intention to organize must be published once a week for at least four weeks in a local newspaper. Powers specified, those of ordinary corporations, and in addition, to act as fiscal and transfer agent and registrar; to receive deposits of moneys, securities and other personal property and to loan money on real or personal securities; to hold real estate such as is needed for the purposes of the corporation

Digitized by Google

and such as is acquired in settlement of debts due to it; to act as trustee under mortgages and bonds, and to accept and execute any other municipal or corporate trust not inconsistent with law; to execute trusts for married women in respect to their separate property, real or personal, and to act as agent in the management of same; to act under appointment of court as guardian, receiver or trustee of the estate of any minor, the annual income of which is $100 or more, and as depository of moneys paid into court; to receive court trusts of all kinds; to receive in trust and manage property of all kinds committed to its care by persons, bodies politic or corporations; to purchase, invest in and sell stocks, bills of exchange, bonds and mortgages and to issue the obligations of the company for moneys or securities borrowed or received on deposit; to act as executor, administrator, or committee of the estates of lunatics, idiots, persons of unsound mind and habitual drunkards. Capital required, at least $100,000 paid in, and not to exceed $2,000,000, divided into shares of $100 each. The Board of Trustees may consist of not less than five nor more than fifteen persons. Trust companies may acquire and exercise all the rights and privileges and be subject to the same liabilities and restrictions as banks upon compliance with the banking laws. Savings banks, trust, security or guarantee companies already organized may acquire the powers here stated. All trust companies which receive deposits are under the jurisdiction of the State Bank Examiner and are subject to the same laws as banks. They must render at least four reports each year to the Examiner, upon his call. Such reports must give full statements of condition according to a prescribed form as of any past day specified by the Examiner, and must be published in a local paper within ten days. The Examiner must examine each company twice a year or oftener. The companies are required to keep an accurate list of the names and addresses of stockholders, and to send such lists to the Examiner on the first day of July of each year. Checks may not be certified unless the money for same is on deposit, and such checks must be charged at once.

(Acts of 1898, p. 78. Supplement to the Code, 1901, sections 6458-6466. Acts of 1907, No. 84.)

Hawaii.

Trust companies are organized under the general laws, their powers and limitations being defined by special acts relating to such corporations. The corporate name must contain the word "trust". It must be organized for the specific purpose of doing business as a trust company, and such objects must be expressed in its articles of association. The capital must be at least $100,000, fully subscribed, and at least $50,000 must be paid in. No corporation not so organized may act in fiduciary capacities or use the words "trust" or "trustee" in its corporate name. Powers specified, in addition to ordinary corporate powers: To receive

Digitized by Google

and hold and reconvey and dispose of any property, real and personal, which may be committed to it upon any trust or trusts whatsoever, from any source, including married women and minors, individuals, corporations, courts; to act as agents or attorneys in the management of property; to act as transfer agent, registrar, agents for buying and selling securities, managers of sinking funds; to act as executor, administrator, trustee, receiver, assignee, guardian, by appointment by will or by court; to loan money upon real or collateral security; to issue notes and debentures and to pledge mortgages and other securities as collateral therefor; to do a safe deposit business; to hold such personal estate as is necessary; to lease, hold, purchase and convey real estate as its corporate property; to purchase, hold and sell stocks and bonds; to act as agents of insurance companies and security companies; to do a general trust and security business; "to transact as agents any other business or undertaking, trust, mercantile or otherwise which may be necessary, useful or convenient to the main purpose of the corporation". But "Nothing herein contained shall be construed as giving the right to issue bills to circulate as money or to discount commercial paper, or to do a general banking business, or to do a savings bank business."

Any Circuit Judge may require of any trust company which has been appointed to act in any fiduciary capacity by Hawaiian courts, a bond in an amount not exceeding $50,000, conditioned for the faithful performance of duties arising from any such fiduciary appointment; and no further bond shall be required, unless the value of a single estate under its management is more than $50,000. Investment of trust funds are at the company's risk, unless they are such as the courts recognize as proper when made by an individual acting in like fiduciary capacity or are permitted by the instrument creating the trust.

Trust companies are under the supervision of the Treasurer or the Auditor of the Territory. They must render and publish statements in January and July of each year, according to a schedule prescribed in the statute. The Treasurer of the Territory may at any time and in his discretion deputize a competent person to examine any trust company; and must have such examination made at any time upon written request of six stockholders or depositors, provided they deposit funds to cover the cost of the examination.

(Laws of 1905, Acts 68 and 69; Laws of 1907, Act 76.)

IDAHO.

Trust companies are organized under the provisions of the general incorporation laws. Five or more persons may incorporate. They must file articles of incorporation. The number of directors shall be not less than five, and each must own at least $500.00 par value of stock. Stockholders have the right of cumulative voting. Trust companies are governed by the provisions of chapter 92 of the Laws, as amended, which

Digitized by Google

relates to "trust, guarantee title, abstract and safety deposit companies." Powers specified, to do a title insurance business; to receive on deposit and in trust estates, both real and personal, and manage same; to act as trustee, assignee, receiver, guardian, executor, administrator and to accept and execute "trusts of every description not inconsistent with the laws"; to receive deposits of moneys and other personal property and issue its obligations therefor; to invest its funds in and to purchase real and personal securities and to loan money on same; to act as fiscal and transfer agent and registrar; to manage sinking funds; to hold and dispose of in any way it sees fit all such real property as may be the subject of insurance by the company; to purchase and sell real estate and take charge of same; to become security for the payment of damages assessed to be paid for lands taken in the building of a railway, for the opening of streets or roads, or for any purposes where land or property is authorized by law to be taken; to become security upon any writ of error or appeal, or in any proceeding instituted in any court in the State; to receive on deposit for safe keeping securities under the control of executors, administrators, etc.; to receive deposits of court funds; to do a regular banking business.

The capital required for trust companies since 1905 is as follows: In villages of less than 2000 inhabitants, $10,000; in towns of from 2000 to 3000, $20,000; in towns of from 3000 to 5000, $25,000; in cities of from 5000 to 10,000, $30,000; in cities of from 10,000 to 25,000, $50,000; in larger places, $100,000. Companies organized prior to 1905 are permitted to continue with the former required capital, $25,000. The capital is liable in case of default in the faithful discharge of trusts, and is to be taken as the security required by law. Courts making trust appointments may examine the officers of the company regarding the administration of the trusts. Stockholders are subject to double liability. The tenure of real estate is limited much like that of national banks. Before declaring dividends, one-tenth of the net profits must be carried to surplus until it equals 20 per centum of the capital. Loans to one party, except secured loans, may not exceed 50 per centum of the capital, surplus and undivided profits. The investments permitted include United States bonds; municipal bonds of Idaho and of other States which have not defaulted on interest for three years, but not more than 50 per centum of the assets may be invested in securities of any one State, county or municipality outside of Idaho; first mortgages upon property worth double the amount loaned upon them; real estate within specified limits; commercial paper under certain restrictions. The reserve required is 15 per centum, of which one-half may be on deposit with other banks or trust companies.

The banking departments of trust companies are specifically made subject to the regulations, examinations and reports required of all banking institutions. They are under the supervision of the State Bank Commissioner, who must examine them at least once a year, without previous

Digitized by Google

notice. The Commissioner must call for at least two reports a year, and may call for not to exceed three additional reports.

(Code 1901, chapter 92, sections 2332-2337; sections 2086 sqq.; Session Laws 1905, No. 167; Session Laws 1907, S. B. 93, page 545.)

ILLINOIS.

Trust companies are incorporated under the general incorporation laws, but regulated by the provisions of the trust company law. If they wish to do both a banking and a trust business, they are organized as banks, and qualify under the trust company law. Powers authorized, assignee or trustee by deed; executor, guardian or trustee by will; trustee, assignee, receiver, guardian, conservator, executor or administrator by appointment of court; the appointment as guardian or conservator shall apply to the estate only, and not to the person; depository for persons holding fiduciary appointments. Such corporations are not required to give bond or security, but are responsible for investments and are further liable the same as natural persons in like positions. They are required to pay interest on all trust funds, at a rate fixed by contract or ordered by the court. Their compensation may not exceed that allowed to natural persons for like services. Before accepting trust appointments or deposits, each company located in a city of 100,000 or more inhabitants shall deposit with the Auditor of Public Accounts the sum of $200,000, and each company in towns or cities of less than 100,000 inhabitants shall deposit $50,000. Said deposits are for the benefit of creditors of the company, and shall consist of bonds of the United States or municipal bonds of this State or first mortgages on improved and productive real estate located in this State and worth at least twice the amount loaned thereon. If it appears to the Auditor that the value of the trust property held by any company exceeds ten times the amount of its deposit with the State, he must require such company to increase its deposit to $500,000 if located in a city of over 100,000 inhabitants or to $125,000 if in a smaller city or town. The deposit may be reduced to the original amount when the Auditor is satisfied that the value of the trust property held has been reduced below ten times the amount of such original deposit. Neither the deposits nor the loans of such a company shall at any time exceed ten times the amount of its paid-up capital and surplus.

Trust companies are required to file with the Auditor, during the month of January of each year, a statement of condition as of December 31 preceding. The information called for is detailed in the statute, and is very full. It includes a list and brief description of trusts held. The Auditor may at his discretion call for additional information, and for additional reports at any time. The Auditor must make an examination of each company annually, and may make examinations oftener if he thinks best. The annual statements, in condensed form, must be published by the Auditor at the expense of the companies, once a week for

Digitized by Google

three consecutive weeks in two newspapers of general circulation, one printed in Springfield, and one in the county seat of the county in which the company is located.

Trust companies which do a banking business are, as above stated, organized under the banking laws, and as to their banking departments are subject to the provisions of such laws.

(Starr & Curtiss' Annotated Statutes, 1896, chapter 32, sections 89-107. Act of May 7, 1897. Act of April 24, 1899.)

INDIANA.

Ten or more persons may incorporate a trust company. They shall file articles of association with the Secretary of State. The amount of capital shall be at least $100,000 in cities of over 50,000 inhabitants; at least $50,000 in cities of between 25,000 and 50,000 inhabitants, and at least $25,000 in cities of less than 25,000 inhabitants. Maximum limit, $2,000,000. The capital must be divided into shares of $100 each. Where it does not exceed $100,000 it must be fully paid. Stockholders are subject to double liability. The directors shall number not less than six. Each must own at least ten shares of stock, and a majority must be citizens of the State. Powers specified, to hold real estate and personal property such as is necessary for the convenient transaction of its business, for the use and occupation of officers and employees and for the safe-keeping of its assets, deposits and property held in trust, and such as is acquired in satisfaction of debts; trust property may be invested in real estate only if the instrument creating the trust so specifies; to hold real or personal property in trust, however received and from whatever source—whether courts, corporations or persons—upon trusts created in accordance with the laws of the State and of the United States; to execute trusts for married women in respect to their separate property, and to act as agent in the management of such property; to act as fiscal and transfer agent and registrar; to conduct a fidelity insurance business; to act as depository of the funds in charge of State, municipal or corporation officials or other officials or private persons; to act as trustee, assignee, receiver, administrator, executor, guardian of the person or estate of minors, guardian of the estate of lunatics, imbeciles, spendthifts, habitual drunkards or other persons disqualified or unable to manage their estates; courts are given authority to make such appointments, and no bond or security is necessary to enable a trust company to accept such appointments; to act as general agent and attorney in fact for public or private corporations or persons in the management of real estate and personal property; to receive, under specified conditions, trusts resigned by others; to receive savings deposits under the same regulations regarding repayment as savings banks; to invest deposits and trust funds at the discretion of the directors in such personal securities as are not hereinafter expressly prohibited, but special directions or agreements imposed by order

Digitized by Google

of court, will, contract, etc., must be followed. Trust companies are "forbidden" to "engage in any banking, mercantile, manufacturing or other business, except such as is hereby expressly authorized"; provided that promissory notes, etc., made negotiable by the laws of the State when payable at a bank shall also be negotiable if payable at a trust company. They shall not loan to directors, officers, agents, or employees, or allow them to become indebted to the company. Interest at not less than three per centum per annum shall be allowed on all trust funds of $100 or over remaining with the company uninvested for over six months. Such corporations are subject to the orders of courts committing trusts to them. Annual reports must be rendered to the Auditor of State, and the same must be published in a local newspaper. Corporations not organized under the provisions of this act are forbidden to use the word "trust" in their titles. Shares of trust company stock are to be assessed in the town or city where they are located, and taxed at the same rate as other property in the locality. Such companies must render to the local assessor, between March 1 and May 15 each year, a statement giving the number of shares and estimated cash value of same, less real estate or other tangible property at its assessed value. Foreign companies may operate after procuring a certificate of authority from the Auditor of State. Before such certificate is issued, certain statements and information must be filed with the Auditor, who must satisfy himself of the solvency and the safety of the company. Such corporation must deposit with the Auditor securities to the value of $25,000 to remain for one year; and thereafter must keep with the Auditor securities equal in value to the amount of its liabilities to citizens of the State. If the company becomes insolvent or fails to carry out its agreements, the Auditor shall revoke its authority to do business in the State and apply to the proper court for a receiver to take charge of the deposit above mentioned. Trust companies are under the supervision of the Board of Bank Examiners, who work under the direction of the Auditor of State. They are to be examined, thoroughly "as often as shall be necessary", no previous notice of the proposed examination being given. The fees for examination are paid by the companies as examined.

(Acts of March 4, 1893, p. 344, Acts of 1893; March 6, 1899, p. 503, Acts of 1899; March 7, 1901; Feb. 24, 1899; Feb. 27, 1899; March 11, 1901; chapter 148, Laws of 1903; Acts of 1905, p. 199; Acts of 1907, chapters 83, 182, 281.)

Iowa.

Trust companies are organized under the general incorporation laws. There is very little legislation regarding such companies. Loan and trust companies are authorized to receive time deposits and issue drafts on their depositories. Such companies, organized under the general incorporation laws, which were engaged in the banking business prior to January 1, 1886, and have continued therein since that date, may become

Digitized by Google

State banks. Trust companies are specifically made subject to the control of the State Bank Examiners, who are appointed by the Auditor of State. They must have a full-paid capital of not less than $10,000 in towns of less than 10,000 population, and not less than $50,000 in larger places. The banking law, which applies to trust companies, requires such institutions to make quarterly reports to the Auditor of State, who also has power to examine them at his discretion. The stockholders are subject to double liability.

(Code 1895, section 1889; Laws of 1904, chapter 85; Laws of 1906, chapter 81; Laws of 1907, chapter 92.)

KANSAS.

Trust companies are organized under the provisions of the general corporation laws, but governed and regulated by the provisions of the trust company law. Powers specified, to receive moneys in trust; minors may control their deposits; to do a safe deposit business; to "accept and execute all such trusts and to perform all such duties of every description as may be committed to them by" persons, corporations or courts; to hold real or personal property in trust; to execute and guarantee bonds required to be given by public officers or in proceedings in the courts, provided that the liability so incurred shall not be in a sum exceeding one-fourth of the paid-up capital; 40 per centum of the premiums must be set aside as a guaranty fund, specially invested; to act as agent for the investment of money; to act as transfer agent and registrar, assignee, receiver, trustee, depository, fiscal agent, bond trustee; "and generally to have and execute such powers as are usually had and exercised by trust companies"; to act as guardian or curator of any infant, insane or other person subject to guardianship; to act as executor, trustee under will, administrator; to conduct a fidelity insurance business and a title insurance business; to loan money on real or personal security; to execute and issue its notes, bonds or debentures under certain restrictions; to buy and sell municipal and corporate bonds and all kinds of stocks and securities; provided, that it shall not loan money upon or purchase its own stock unless to prevent loss upon a debt previously contracted, in which case it may not hold such stock longer than six months, and the same shall not be included in assets for longer than six months; "to receive deposits of money from any bank, Savings bank, trust company or from any public officer or board subject to check, or from any person, company, corporation or association upon time certificates of deposit"; to buy and sell foreign and domestic exchange, gold, silver, foreign coin or bullion; provided, that the total investment in bank stocks shall not exceed one-fourth the paid-up capital.

Trust companies must keep a reserve of twenty-five per centum of deposits subject to check, and ten per centum of time deposits, subject to the same rules as State banks, but part of the reserve may be in United States bonds or in loans secured by United States, State or municipal bonds, in lieu of deposits in banks. The capital must be not less than

Digitized by Google

$100,000 nor more than $1,000,000, divided into shares of $100 each; 20 per centum must be paid in before beginning business, and the balance within six months. The name of any such company must commence with the word "the", and end with the words, "trust company". None but companies complying with and organized under the trust company laws may use the word "trust" in titles. The directors may be from five to fifteen in number; a majority of them must be residents of Kansas, and each must own not less than $1,000 of stock. They must take an oath of office. Before dividends are declared ten per centum of the net earnings must be carried to surplus fund until the latter equals one-half of the capital. The company may own real estate for its own use, and such as is acquired in the collection of debts, but the total amount shall not exceed in value 50 per centum of the capital for more than six months. Trust companies are under the supervision of the Bank Commissioner, to whom they must make four reports yearly, and are subject to examination by him the same as banks, at least once per annum. The banking law applies to them regarding impairment of capital and insolvency. In the absence of special provisions in this act, the general corporation act shall apply.

(Laws of 1901, chapter 407; Laws of 1903, chapter 528; Laws of 1907, chapter 425.)

Kentucky.

Companies may be incorporated either to do a trust business, or to do both a banking and a trust business. For the former, seven or more corporators are required. The capital must be not less than $15,000 in counties whose population is from 25,000 to 40,000; not less than $100,000 in counties of from 40,000 to 100,000 population, and not less than $200,000 in counties having a larger population; provided, that in counties having a population of 25,000 or more, trust companies may be organized with a capital of $25,000 in cities of the fourth, fifth or sixth class. Fifty per centum of the capital must be paid in, and the balance within one year. Copies of the articles of incorporation must be filed with the clerk of the county, and with the Secretary of State. Powers specified, to have the powers usual with corporations; "to exercise, subject to law, such powers as may be necessary to carry on its business"; to act as guardian of infants, executor, administrator or curator of estates of decedents, "committee of persons of unsound mind, receiver or trustee for persons or estates"; to act as agent or attorney for the management of estates, the collection of rents, accounts, etc., "and demands of every character"; to receive on deposit or for safe-keeping, gold, silver, money and other personal property. Such corporations are forbidden to loan on their own stock, and to purchase same except to prevent loss on a debt previously contracted, in which case such stock shall not be held longer than one year. No person shall be allowed to become indebted to the company in a sum exceeding ten per centum of the

Digitized by Google

paid-up capital and surplus, except that on good collateral or mortgage security the sum may be increased to 20 per centum. If the borrower is a director or officer of the company, he shall not be permitted to become indebted to the company in excess of ten per centum of paid capital and surplus, unless the excess be secured by mortgage or pledge of real or personal property double in value the amount of such excess. When acting in trust capacities whose duties are regulated by law or subject to the control of courts, trust companies shall be subject to the same duties and responsibilities, have the same rights and powers, and receive the same compensation as would individuals acting in like capacities. But upon bonds required to be executed in such cases the capital stock of the company shall be taken as the only security required, unless the court or some party in interest demands more. A trust company may hold real estate needed for its business, and for a period not longer than five years such real estate as is acquired in the satisfaction of debts due it. It may hold, operate, and manage real estate for others. Such companies are forbidden to engage in banking, or to buy or sell bills of exchange.

Companies may, however, as above stated, be incorporated to do "both a banking business and a trust company business." Such a corporation must have a paid capital of at least $50,000 before commencing business, except that if the subscribed capital is $100,000 or over, one-half must be paid before commencing business, and the balance within a year. One-half of such capital "shall be securely invested for the trust business of the corporation, and shall at all times be kept separate and distinct from its other assets, and shall be primarily liable for its fiduciary obligations." The remainder of the capital may be used for its banking business, and the books must be so kept as to at all times show the condition of its banking business and of its trust business. The banking department is governed by the banking laws, and the trust department by the trust company laws. Stockholders are subject to double liability. A list of the stockholders and officers must be filed in January of each year with the Secretary of State. The capital and funds not held in a fiduciary capacity may be invested at the discretion of the directors; the trust funds, under order of court or as provided by law for the investment of other trust funds. Trust companies must make reports and be subject to examinations the same as banks; *i. e.*, reports shall be made quarterly, and each alternate report shall be published in a newspaper published in the county, if any, and which has the largest *bona fide* circulation in the county.

(Statutes, 1903, §§603-616. Laws of 1904, chapter 78. Laws of 1906, chapters 22, 46 and 146.

Louisiana.

Five or more persons may incorporate for the purpose of conducting a savings, safe deposit and trust banking business. A certificate of

Digitized by Google

authority must be obtained from the State Examiner of State Banks. One-half of the subscribed capital must be paid in before commencing business, and the balance within ninety days. Powers specified, to have succession for a period specified in the articles of incorporation, not to exceed ninety-nine years; to have the other ordinary powers of corporations; to hold real and personal property needed or convenient for the purposes of the association; the real estate that may be held is limited to such as is necessary for the proper transaction of the business and such as is acquired in satisfaction of debts, but the latter may not be held more than ten years; to accept and execute "trusts and agencies of any and every description which may be committed or transferred with their consent to them by any person or persons, corporation, board or body, public or private,"or by State or United States courts; to act as executor, administrator, syndic, receiver, curator, tutor, trustee or assignee, "in the same manner and to the same extent and under the same conditions that natural persons may be so appointed"; but as curator of an interdict or tutor of a minor, it shall have charge of the estate only, not of the person, and the commissions allowed by law shall be equally divided between the company and the persons having charge of the person; to act as depository of funds held by persons or officers acting as fiduciaries; to do a banking business.

Regarding the trust business that may be undertaken, it is to be noted that the constitution and laws of the State prohibit trusts, as they exist elsewhere under the common law; and the trust company act specially provides that nothing therein "shall be construed as authorizing the constitution of any agency or trust in this State which is contrary to the public policy of the State of Louisiana, or which seeks to place the property of persons or estates in this State out of commerce, in contravention of the laws of inheritance of this State, or of the prohibitions therein contained against *fidei commissa* and substitutions."

There is no limit specified to the number of directors, but a majority of them must be citizens of the State. The capital of the company, where it acts in fiduciary capacities, is to be taken as the security required by law for the faithful performance of duty; but the court may require other security. Money or property deposited by married women or minors is subject to their control. The company must keep a reserve of 25 per centum of its demand deposits. Of this eight per centum must be on the premises in cash. The remainder of the reserve may consist of deposits in other banks, or bills of exchange, or discounted paper maturing within not more than one year, or in State, United States or municipal bonds. The capital must be at least $100,000.

Such companies have the powers and are subject to the regulations and liabilities of State banks. They may have branches within the limits of the municipality or parish. Trust funds may be invested in United States or State bonds, county, municipal and other public bonds of Louisiana and other States that are quoted at or above par and have not

Digitized by Google

defaulted in interest for two years; stocks of railroads, canals and other quasi-public corporations quoted at or above par and having paid interest at not less than four per centum for five years; or in first mortgages on real estate appraised at double the amount of the loan and said mortgages running not longer than ten years. Trust funds or property must not be included in the published assets of the company. Reports as of a specified past day must be made, on call of the State Examiner, four times a year, and must be published in a local paper. Examinations are made by the same official, at his discretion or on order of the Governor or the Courts. Loans to any one borrower, except loans on "good collateral or solvent endorsements," are restricted to 20 per centum of the capital, surplus and undivided profits. No loans may be made to officers or employees, unless approved by the Directors at a meeting at which the applicant is not present. Before declaration of a dividend, one-tenth of the profits must be added to the surplus until the latter equals 20 per centum of the capital. Dividends must be earned during the dividend period, unless the undivided profits are enough to pay the dividend and all losses. All loans, discounts, overdrafts and other debts past due more than twelve months, and on which interest has not been paid, must be classed as bad debts, and be either charged off or reduced in value after an appraisement by the Bank Examiner and two stockholders, before a dividend is declared.

(Laws of 1902, Act No. 45. Act No. 179; Laws 1904, Act No. 40; Laws 1906, Act No. 140; Laws of 1908, Acts 188, 251, 288.)

MAINE.

Until late in the year 1907, trust companies in this State were incorporated only by special acts of the Legislature, their powers being defined in such special charters. They may now be incorporated under the provisions of the elaborate trust company law, approved March 21, 1907. The number of corporators required is five or more. The powers specified are to receive deposits and to allow interest thereon; to borrow money; to loan money on credits or real estate or personal security, and to negotiate loans and sales for others; to do a safe deposit business; to hold and enjoy real or personal or mixed property; to act as transfer agent or registrar; to execute trusts of every description and to hold property in connection therewith; to act as assignee, receiver, executor, "and no surety shall be necessary upon the bond of the corporation, unless the court or officer approving such bond shall require it"; "to do in general all the business that may lawfully be done by trust and banking companies." Capital required, $25,000 in a town of not more than five thousand inhabitants; $50,000 in cities of from five to ten thousand inhabitants; $75,000 in cities of from ten to twenty thousand inhabitants; $100,000 in cities of from twenty to thirty thousand inhabitants; $150,000 in larger cities. The shares must have a par value of $100 each. No stock shall be issued until its par value has been paid in in cash.

Digitized by Google

The number of directors shall be at least five, two-thirds of whom must be residents of the State, and each of whom shall own at least ten shares of stock. The stockholders may at their option elect from the Board of Directors an Executive Committee of not less than five members. The Board of Directors or the Executive Committee shall constitute the board of investment of the company, and shall keep records of all loans and investments, which record shall be submitted to the directors, stockholders and bank examiner.

A separate trust department must be maintained, and all trust moneys and property be kept separate. Persons holding fiduciary appointments may deposit their funds or securities with a trust company. Loans to one person, firm, business syndicate or corporation may not exceed ten per centum of the total capital, unimpaired surplus and net undivided profits, "except on approval of a majority of its entire investment board, unless secured by collateral, nor in excess of 25 per centum thereof, except on such approval and secured by collateral which in the judgment of said majority of said investment board shall be of a value equal to the excess of said loan above said 25 per centum;" provided, that in determining said amount every name appearing on any loan as endorser, guarantor or surety shall be regarded as an original promissor. *Bona fide* discounts are not regarded as money borrowed. In all cases where loans in excess of ten per centum are granted, the records must show who voted in favor thereof. Loans in any form to officers, directors or employees may be made only after approval of a majority of the board of directors or executive committee, and the names of those voting for such loans shall be spread upon the minutes. The applicant for the loan or anyone associated or connected with him may not be regarded as voting for the loan.

Trust companies are required to make and publish reports as directed by the bank examiner. Annual examinations by two of the directors, under the direction of the bank examiner, are required. Branches may not be established outside the city or town in which the company is located, without special warrant from the bank examiner, and in any event a trust company may not establish branches outside of its own and an adjoining county. Every director, officer, agent or employe who authorizes, or assists in procuring, granting or causing the granting of a loan in violation of the law as stated above relating to loans to directors or officers, every director who votes on same, and every director, officer, agent or employee who wilfully and knowingly pays out funds or permits or causes same to be done on loans in violation of said provisions, "shall be personally responsible for the payment thereof, and shall be guilty of a misdemeanor".

For purposes of taxation, trust companies are required to make returns to the State assessors semi-annually. Money deposited in trust companies by minors or married women is subject to their order. Such corporations are forbidden to act as administrator or guardian, anything

Digitized by Google

in their charters to the contrary notwithstanding. They must keep a reserve of 15 per centum of aggregate deposits payable on demand or within ten days. The stockholders are subject to double liability.

The laws of this State relating to "trust and loan associations" do not refer to trust companies, but to building and loan associations.

(Revised Statutes, chapter 46; Laws 1889, chapter 312; Laws 1893, chapters 281 and 293; Laws 1895, chapter 48; Laws 1897, chapters 218, 247, 259; Laws 1899, chapter 68; Laws 1901, chapters 196, 286; Laws 1905, chapter 171; Laws 1907, chapters 96, 119.)

MARYLAND.

Trust companies in this State are incorporated only by special act of the Legislature. There was formerly a general law for the incorporation of such companies, which was repealed in 1890. (Chapter 272, Laws of 1890.) The special charters define the powers and duties of such companies, which are usually quite full. The only general laws applying to trust companies now are those designed to regulate and control same. They are required to make semi-annual reports as of June 30 and December 31, to the Treasurer of the State. The statutes specify the matters to be covered in the reports, but the Treasurer of State may call for additional information, and for additional reports. They are subject to an annual examination by the Treasurer or his appointee, the items to be covered in the examination being specified by the statute. If a company be found unsafe, the Treasurer shall report to the Attorney-General, who shall institute proceedings. Trust companies are required to deposit with the State Treasurer, to be held by him in trust as security for creditors, securities equal in value to 15 per centum of the paid-up capital, and not less than $30,000 in amount. Neither the deposits nor the loans of the company shall be allowed to exceed ten times the paid-up capital and surplus, "but any such corporation authorized to receive court deposits may at any time receive on deposit and loan out any money which may be deposited with it by order of any of the courts of this State notwithstanding such limitation." The stockholders are subject to double liability. The Treasurer of State is required to report to the General Assembly at each regular session the condition of all trust companies.

(Acts of 1892, chapters 109, 279; Acts of 1908, p. 56.)

MASSACHUSETTS.

Trust companies, which in this State were formerly incorporated only by special act of the Legislature, may, by an act passed in May, 1904, be incorporated under the general law. Fifteen or more persons may incorporate. Notice of intention to organize a trust company must be given to the Board of Bank Incorporation, consisting of the Bank

Digitized by Google

Commissioner, the Treasurer and Receiver-General, and the Commissioner of Corporations, and must be published. The procedure for organization is set forth at length in the statute. No shares of stock shall be issued until the par value thereof is paid in full in cash. The amount of the capital shall not be less than $200,000, nor more than $1,000,000; except that in cities or towns of a population not greater than 100,000 the capital stock may be not less than $100,000, divided into shares of $100 each. When the entire capital stock is paid for and issued, a list of stockholders with addresses and number of shares held must be filed with the Board of Bank Incorporation, who, if satisfied that the law has been complied with, issue a certificate authorizing the corporation to begin business. No corporation not duly authorized may advertise business as a trust company. Officers of the corporation shall be sworn to the faithful performance of their duties. Each director must own at least ten shares of unpledged stock, and a majority of them must be citizens and residents of the Commonwealth and not more than a third may be directors in any other such corporation. The books of the company must at all reasonable times be open to the inspection of stockholders and beneficiaries under trusts. Trust companies in Boston must keep a reserve of 20 per centum of aggregate deposits less time deposits not payable within thirty days: trust companies elsewhere in the State must keep reserves of 15 per centum. Two-fifths of the reserve must be in cash on hand. The remainder may be on demand deposit with Boston trust companies duly authorized as reserve agents, or with National banks in Massachusetts or in the cities of New York, Philadelphia, Chicago or Albany. A portion of the reserve not exceeding one-fifth may consist of bonds of the United States or of Massachusetts: provided, that the aggregate cash reserve must always equal five per centum of the total time and demand deposits, exclusive of deposits in the savings department. Any Boston trust company may be authorized by the Bank Commissioner to act as reserve agent for other trust companies in the state. Such reserve agent trust companies must keep one-half of their reserves in cash, and the balance may be on demand deposit with other Boston reserve agent trust companies or with the National banks above described.

Powers specified, to receive on deposit, storage or otherwise, money, Government securities, stocks, bonds, coin, jewelry, plate, valuable papers and documents, evidences of debt, and other property of any kind; to collect and disburse income or principal; on deposits of money so received it shall not give collateral or other security; to advance money on credits on real property in the State or on personal security; to invest in stocks, bonds or other evidences of indebtedness of corporations; but "no trust company shall advance money or credits upon notes secured by deed of trust or by mortgage upon farms or agricultural or unimproved land outside of this Commonwealth, except upon land situated in the New England States or the State of New York, nor invest in nor make loans upon securities of a company negotiating or dealing in such notes

Digitized by Google

so secured or in such mortgages"; and "no trust company shall as agent, buy, sell or negotiate securities or evidences of debt on which said company may not lawfully advance money or credits, nor as such agent buy, sell or negotiate evidences of debts secured by real estate under mortgage or deed of trust"; to act as depository of court and trust funds; if court funds remain unclaimed for a period of more than ten years, the court may upon motion of the Attorney-General order same to be paid to the Treasurer and Receiver-General to hold for the owners; to act as executor, administrator, receiver, assignee, guardian, conservator or trustee "under the same circumstances, in the same manner, and subject to the same control by the court having jurisdiction of the same, as a legally qualified person"; any such appointment as guardian shall apply to the estate and not to the person of the ward; to act as transfer agent, registrar, fiscal agent, trustee under bond issues. Trust funds may be invested only in authorized loans of the United States, or of any of the New England States, Illinois, Iowa, Michigan, Minnesota or Wisconsin, or the cities or counties thereof, or stocks of State or National banks organized within the Commonwealth, or in the first mortgage bonds of a railroad incorporated in any of the New England States and whose road is located wholly or in part in the same and which has earned and paid regular dividends on all its stocks for two years, or in the bonds of any such railroad company unencumbered by mortgage, or in first mortgages on real estate in this Commonwealth, or in any securities in which Savings banks may invest, or upon notes with two sureties of domestic manufacturing corporations or of individuals with a sufficient pledge as collateral of any of the aforesaid securities; but real estate acquired by foreclosure, etc., shall be sold at public auction within two years.

The capital and liability of stockholders shall be held as security for the faithful performance of duties in trust capacities, and no surety shall be required upon bonds filed by such corporations, except that the court may at its discretion, upon application of interested parties, require additional security where the company is by it appointed as executor, administrator, receiver, assignee, or guardian. The company must be governed in the matter of investment of trust funds by the directions, if any, of persons creating trusts. A trust department must be maintained for the purpose of keeping separate the trust funds and property and the accounts thereof. If savings deposits are received, a separate savings department must be maintained, whose assets shall be appropriated solely to the security and payment of such deposits, the accounts and transactions of the department being kept separate. Ninety days' notice may be required for withdrawals in this department. Trust companies chartered subsequent to May 21, 1896, must annually set apart ten per centum of net earnings to a guaranty fund until same equals 25 per centum of the capital, which fund shall be invested in the same manner as deposits in Savings banks may be invested. With companies

Digitized by Google

chartered prior to that date, the creation of such guaranty fund seems to be optional, but the fund once established must be maintained as long as trust undertakings remain unfinished. The guaranty fund shall be absolutely pledged for the faithful performance of trust duties, and trust creditors have in addition thereto an equal claim with other creditors upon the capital and other property of the corporation. Stockholders are subject to double liability. No such corporation shall loan upon its own stock, or purchase same, except to prevent loss upon a debt previously contracted in good faith, in which case the stock shall within six months be sold at public or private sale. The total loans to one person or firm shall not exceed one-fifth of the paid capital and surplus, where the capital of the company is $50,000, or over, nor one-fifth of the capital of companies with a smaller capital; but *bona fide* discounts shall not be considered as money borrowed. Such corporation may hold real estate unencumbered by mortgage, for its use, to an amount not exceeding 25 per centum of its paid capital, and in no case exceeding $250,000; but investments legally made prior to April 18, 1894, need not on this account be changed. Branch offices for receipts of deposits, payment of checks and transacting a safe-deposit business, only, to be conducted in the same city where the main office is located, but not elsewhere, were formerly permitted; and may be continued, if heretofore authorized: but after January 1, 1909, a trust company may be authorized to have one such branch only. Reports must be made on call of the Bank Commissioner, not exceeding five times within any calendar year, giving full information detailed in the statute. For purposes of taxation, they render an annual report in May. Such companies are subject to examination by the commissioners the same as Savings banks; *i. e.*, annually and whenever the commissioner deems it wise. The stockholders of every trust company are required to elect each year an examining committee of three stockholders who are not members of the executive or finance committees, nor the president, vice-president, secretary or treasurer of the company. At least once a year, without previous notice to the officers or directors, this committee must make or cause to be made a thorough examination of the company's affairs. Within ten days after the completion of the examination the committee must report to the bank commissioner, giving the assets and liabilities, including those of the trust department, and such other information as the commissioner may require. The report must also be read to the directors and to the stockholders at their next meetings. If the commissioner thinks it necessary after receipt of the report he may require a special examination by an expert, at the company's cost.

(Revised Laws, chapter 116, including amendments to 1902; Acts 1902, chapter 355; Acts 1904, chapters 200, 374; Acts 1905, chapters 189, 228, 331; Acts 1906, chapter 204; Acts 1907, chapters 319, 320, 417, 487. Acts 1908, chapters 116, 520.)

Digitized by Google

MICHIGAN.

Seven or more persons may incorporate to carry on a "trust, deposit and security business." Articles of association must be executed in triplicate and filed. The capital must be at least $300,000 in cities of 100,000 inhabitants or more, and at least $150,000 in smaller places, and may not exceed $5,000,000; 50 per centum must be paid in at the start and the balance within six months. Before the company begins business, 50 per centum of the capital, but not more than $200,000 in amount, in securities, must be deposited with the State Treasurer. The number of directors must be seven or more, and each must own at least ten shares of stock. Before a dividend is declared, one-tenth of the net profits must be carried to surplus fund, until it equals 20 per centum of the capital. Powers specified, to hold real and personal property in trust; to execute trusts for married women and minors; to administer court trusts; to act as agents or attorneys for the transaction of business, the management of estates, the collection of income, principal, etc.; to act as fiscal agent, transfer agent and registrar; to act as executor, administrator, trustee, receiver or assignee, guardian of any minor, incompetent person, lunatic, or any person subject to guardianship, courts being authorized to make such appointments; except in the discretion of the court, trust companies acting in these capacities need not be required to give security other than the deposit with the State Treasurer; to loan upon real and collateral security; to issue its notes and debentures payable at a future date; but nothing herein contained shall be construed as giving the right to buy and sell bank exchange, or do a general banking business; to do a safe-deposit business; to become sureties in cases where, by law or otherwise, one or more sureties are required, except as surety on any recognizance for criminals; to do a title insurance business. Such companies may hold real estate needed for the transaction of business, including with the business office, other apartments in the same building to rent as a source of income, and such as is acquired in the settlement of debts; but the latter shall not be reckoned as an asset for longer than five years. They may hold real estate in trust. They must keep a reserve of 20 per centum of "matured obligations and money due and payable." Of this three-fourths may be kept in any bank or trust company approved by the Commissioner of the Banking Department. The securities to be deposited with the State Treasurer shall consist of bonds secured by mortgages, or notes and mortgages on unincumbered real estate in Michigan, worth double the amount secured thereby, or public stocks and bonds of the United States, of Michigan, or of any State of the United States that has not defaulted on principle or interest for ten years, or in duly authorized issues of counties, townships, school districts and municipalities in such States. The directors may invest the balance of the capital, and moneys received in trust, in the same securities, " or in such real or personal securities as they may deem proper." The

Digitized by Google

stockholders are subject to double liability. Reports must be rendered quarterly or oftener, at the call of the Commissioner of the Banking Department. Such reports must be published in a newspaper. Reports must be made within ten days after each dividend, giving amount of dividend, amount carried to surplus, and net earnings in excess thereof. Such corporations are under the supervision of the Commissioner, and must be examined by him annually and when requested by the directors. If an unsafe condition is revealed, the Commissioner and the Attorney-General institute proceedings for the appointment of a receiver. The records of the stockholders must be open to inspection by directors, officers, stockholders and the creditors of the company. Chapter 240, Acts of 1907, provide for "safety and collateral deposit companies", having power to do a safe deposit business and certain limited trust business.

(Compiled Laws 1897, Chapter 162, §§6156-6189. Acts 1897, No. 106, Acts 1907, No. 240.)

MINNESOTA.

Three or more persons may incorporate "annuity, safe deposit and trust companies." The name adopted must be such as to be not readily confounded with that of an existing corporation; and corporations not organized under the trust company laws are forbidden to advertise a trust business. The capital shall be not less than $200,000, and not more than $2,000,000, divided into shares of $100 each. No business may be transacted until at least $200,000 has been actually paid in, in cash, and at least one-fourth of its capital has been invested and the securities so obtained assigned to and deposited with the Treasurer of State. The securities in which this deposit may be invested are bonds of the United States or of any State therein, bonds of the cities of St. Paul, Minneapolis, or Duluth, and in certain other municipal bonds, county, school district and railroad bonds described in the statute. These securities are held by the Treasurer as a guaranty fund for depositors and creditors and for the faithful discharge of duty. Other like securities may be substituted from time to time. The income of same goes to the corporation making the deposit. The number of directors of such a corporation may be from nine to twenty-seven; a majority of them must be citizens of the State, and each must own at least ten shares of stock. Each director serves three years, one-third of them retiring each year. Directors are required to take an oath of office.

The powers specified for such corporations are the ordinary powers of corporations, and in addition, to hold real estate necessary for the convenient transaction of its business, and such as is acquired by foreclosure, etc.; but no investments may be made in real estate, either of the funds of the company or of trust funds, unless by virtue of a particular contract with the maker of a trust; to loan on mortgage security; "to purchase notes, bonds, mortgages and other evidences of indebtedness and other securities"; to hold real or personal property in trust; to receive

Digitized by Google

trusts from courts, from public or private corporations or from persons; to execute trusts for married women with respect to their separate estates; to act as fiscal and transfer agent and registrar; to act as depository for court funds, for officers and for persons acting in trust capacities; to act as trustee, assignee, receiver, executor, administrator, guardian of the person or estate of minors, guardian of the estate of any lunatic, imbecile, spendthrift, habitual drunkard or other person unable to manage his estate; the courts are authorized to make such appointments, and no bond or other security need be required of the corporation; to act as general agent and attorney in fact for the management of estates, "and generally to act for and represent corporations or persons under powers and letters of attorney in all respects as a natural person could do"; and to become sole surety upon any bond or undertaking in suits or special proceedings in courts. Persons holding fiduciary appointments may resign in favor of a trust company. Trust funds of $100 or over must be invested within a year in the same kinds of securities as those specified for the deposit with the Treasurer of State, and such securities must be allowed by the probate court in settlements. Trust funds and accounts must be kept separate from other funds and accounts of the corporation; securities purchased with trust funds must be endorsed to the company as trustee, etc. Orders of courts or agreements regarding the investment of trust funds must be followed. "No such corporation shall engage in any banking, mercantile, manufacturing or other business, except such as is hereby expressly authorized." No loans shall be made to directors, officers or employees, nor shall they be allowed to become indebted to the corporation in any way; and violation of this is made the crime of embezzlement. Such companies are at all times subject to further orders from the courts appointing them to trusts, and must render statements to such courts when called for. They are subject also to the general jurisdiction of the district court of their county. They must render statements annually in June to the Public Examiner, and have same published in a newspaper, with a list of stockholders, and give additional information when called for by the Examiner. The Public Examiner must examine every such company each year or oftener. If he finds an unsafe condition, he may take charge at once of all the affairs and property of the company, and apply to the proper court for a receiver. Such companies are forbidden to make an assignment, but must notify the Examiner instead. Unauthorized concerns may not use the word "trust" in titles.

(Revised Laws, 1905, Chapter 58, §§3033-3047, §2847 and §2978. Laws of 1905, Chapter 49. Laws of 1907, Chapter 225.)

Mississippi.

Trust companies are chartered under the general laws as banks with trust company powers. They are governed by the same laws as other banking institutions, "and their acts shall be subject to the same restric-

Digitized by Google

tions and supervision by the courts as the acts of a person acting in such fiduciary capacity." The capital must be at least $100,000. Powers specified, in addition to ordinary banking, to receive and execute trusts of every description received from persons, corporations or by order of courts; to hold in trust real or personal property under any legal trusts; to execute or guarantee bonds required by law; to act as agent for the investment of money or the management of property; to act as transfer agent, registrar, trustee under bond issues; to act as guardian, administrator, executor; to do a fidelity insurance business; to act as agent or attorney in fact for the sale of real or personal property; to accept trust funds or other property upon specially agreed terms, but may not charge, receive or pay more than legal interest; to loan upon real or collateral security; to act as assignee or receiver; to act "in any other fiduciary capacity authorized by law."

"Trust companies may establish a special mutual loan department in which the expenses, losses and profits shall be kept separate from all other departments." Separate stockholders may be received for such department, who may borrow from the company and fix and regulate the manner of conducting this department. "Shares of stock may be issued to such borrowers, to be paid for in such installments as may be agreed upon or fixed by the by-laws." Details of this department are further outlined. (Section 265.)

Banks and trust companies must make at least four reports a year to the Auditor of Public Accounts, at his call without previous notice, according to forms furnished by him, which form must call for resources and liabilities, amount of indebtedness to the company owing by owners, stockholders, officers and directors. The reports must be published in local newspapers. Companies having on deposit money or other effects belonging to a deceased depositor must, within thirty days after the qualification of the executor or administrator of said deceased depositor, mail to the executor or administrator a statement of the amount of such deposit. The creation of branch banks or offices is forbidden after October, 1906; and companies then operating branches are required to set apart and maintain $10,000 as a capital for each branch.

The directors are required to hold at least three regular meetings each year "for the purpose of making a full and careful investigation and inquiry into the condition and affairs of the bank, and particularly of its accounts and securities." Accurate records of these meetings must be kept, signed by all directors participating therein. The word "trust" must form part of the title of every trust company, and no institution not authorized by its charter to transact the business of a trust company as set out in this chapter may use the words "trust" or "trust company" in its title.

(Code 1906, Chapter 14, sections 256-267; Laws 1908, H. B. 179, 417.)

Digitized by Google

Missouri.

Trust companies may be incorporated by five or more persons. Articles of agreement must be filed.

Powers specified, to receive money in trust; minors may control their own accounts; to do a safe deposit business; to execute trusts of every description for persons and corporations; to execute trusts received from courts; to act as assignee, receiver, trustee and depositary; to execute bonds required in court proceedings; to hold real or personal property in trust; to act as agent and attorney in fact for persons and corporations in the management of property and for the investment of money; to act as transfer agent and registrar; to execute trusts for married women in respect to their separate property, and to act as agent for the management of such property, "and generally to have and exercise such powers as are usually had and exercised by trust companies"; to act as executor, administrator, guardian or curator of any infant, insane person, idiot or habitual drunkard, or trustee for any convict in the penitentiary, under the appointment of any court of record having jurisdiction; to do a fidelity insurance business; to do a title insurance business; to loan money upon real estate or collateral security, and to execute and issue its notes and debentures payable at a future time, and to pledge its mortgages on real estate and other securities as security therefor, but such notes and debentures may not exceed in the aggregate ten times the paid-up capital, and may not exceed the amount of first mortgages pledged to secure their payment; to buy and sell all kinds of Government, State, municipal and other bonds, and all kinds of negotiable and non-negotiable paper, stocks and other investment securities. Trust companies must maintain a reserve of 15 per centum of demand deposits, on hand or on deposit. Deposits on which the company has the right to demand twenty days' notice are not to be considered demand deposits.

Before a dividend is declared, one-tenth of the earnings must be carried to surplus until the latter equals 20 per centum of the capital.

The amount of capital shall be not less than $100,000, and not more than $10,000,000.

The number of directors shall be not less than five nor more than twenty-five; all of them must be stockholders, and a majority of them must be *bona fide* citizens of the State. If the number of directors exceeds five, they shall be divided into three classes, so that one-third of the number shall retire each year, the term of each member being three years. They may invest moneys placed in their charge in loans secured by real estate or other sufficient collateral security, in public bonds of the United States or of this State, or in the bonds or stocks of any incorporated city or county in this State. The directors must meet at least once a month. Their written records must show the aggregate indebtedness of each director, and no one of them may borrow in excess of 10 per centum of the capital and surplus without consent of a majority of the others.

Digitized by Google

Loans may not be made on the company's own stock, except to prevent loss on debts previously contracted in good faith, in which case the stock must be sold within six months. A trust company may own only such real estate as is required for the transaction of its business, and such as is acquired in satisfaction of debts due it.

Upon making with the Superintendent of the Insurance Department a deposit of $200,000, consisting of cash, Treasury notes of the United States, or Government, State, county, municipal or other bonds, or bonds, notes or debentures secured by first mortgages, or deeds of trust or mortgages, or deeds of trust on unencumbered real estate in the State of Missouri, worth at least double the amount loaned thereon, or such other first-class securities as the said Superintendent may approve, and upon satisfying said Superintendent of its solvency, any corporation organized under this act shall be permitted to qualify as guardian, curator, executor, administrator, assignee, receiver, trustee by appointment of court or under will, or depositary of money in court, without giving bond as such, and also to become sole guarantor or surety upon bonds and to do fidelity insurance business. Such deposit shall be primarily liable for obligations of the company due to its acting in the capacities named.

Trust companies are under the jurisdiction of the State Banking Department, who must examine each company at least once a year and oftener if it seems expedient. The stockholders are also required to appoint a committee of three or more of their number to make an annual examination.

(Annotated Statutes, 1906, Chapter 12, Article XII, sections 1424-1439; Article VIII, sections 1303-1311;—as amended by Senate Bill No. 143, Acts of 1907, pages 134 sqq., approved March 18, 1907.)

MONTANA.

Three or more persons may incorporate to carry on a "trust deposit, security and loaning business." Articles of agreement must be filed with the Secretary of State, and a copy with the county recorder of deeds. The term of existence of the corporation may not exceed fifty years. The capital must be not less than $100,000 nor more than $10,000,000. The number of directors must be not less than three nor more than twenty-five; all must be stockholders, and a majority must be *bona fide* citizens of the State. If their number exceeds five, the term of office of each shall be three years, and one-third shall retire each year.

Powers specified, to receive moneys in trust; to accept and execute trusts of every description committed to them by persons, corporations or by order of courts; to hold any real or personal estate in trust; to execute or guarantee any bonds required to be given in proceedings in law or equity; to act as agents for the investment of money; to act as transfer agent or registrar; to execute trusts for married women in respect to their separate property, and to manage same, "and generally to have and exercise such powers as are usually had and exercised by trust

Digitized by Google

companies"; to act as trustee, assignee, receiver, administrator, executor, guardian of the person and estate of any minor, or of the estate of any lunatic, imbecile, spendthrift, habitual drunkard or other persons unable to manage their estates; to do a fidelity insurance business; to do a title insurance business; to loan money upon real or personal security; to issue its notes or debentures payable at a future time, and to pledge its mortgages upon real estate or other securities as security therefor; to buy and sell Government, State, county, municipal and other bonds, and all kinds of negotiable, non-negotiable and commercial paper, stocks and other investment securities; to become endorser and surety; to receive both time and demand deposits; to do a safe deposit business.

The directors are authorized to invest the capital "in good securities"; and the capital and funds entrusted to the company may be invested in notes or bonds and mortgages on unincumbered real estate in the State, or in stocks and bonds of this State or any State or Territory of the United States, or in the bonds of any county, city, town or school district of this State. Such corporation may own only such real estate as is required for the transaction of its business and such as is acquired in the settlement of debts due it.

Loans to any managing officer are forbidden except upon good collateral or other good and specific security; and where such a loan exceeds 10 per centum of the capital it must first be approved by a majority of the Board of Directors and be entered with their signatures upon the minutes. Loans to any one party,—*bona fide* discounts excepted,—must not exceed 20 per centum of the capital and surplus. Stockholders are subject to double liability. The reserve required is fifteen per centum of the total deposits, "of which such portion as the Board of Directors may determine" may be on deposit in banks in cities of the first and second classes approved by the State Examiner as reserve banks. The reserve banks are required to maintain a reserve of 25 per centum, which may be in lawful money or on deposit with banks subject to the approval of the State Examiner. The use of the terms "trust" and "trust company" in titles is forbidden except to regularly organized trust companies. Foreign companies may operate in the State under conditions detailed in the statutes. The Laws of 1905, page 216, provide for the organization of "Endowment and Investment Corporations", which have some of the powers of banks and of trust companies.

The State Examiner is required to call for not less than four reports each year from trust companies, at intervals of not less than two calendar months; the reports to be according to a form prescribed by him and to be published in local papers. The directors are authorized to declare semi-annual dividends; and reports of dividends must be forwarded to the State Examiner within ten days after same are declared. The directors are personally liable for violations of the law.

(Code 1895, paragraphs 590-611. Act of March 15, 1901. Laws of 1905, Chapter 19. Laws of 1907, Chapters 137, 159, 164, 190.)

Digitized by Google

NEBRASKA.

This State has no statutes relating to trust companies. Paragraph 2081 of the Compiled Statutes (chapter 16, section 123), provides that "any number of persons may be associated and incorporated for the transaction of any lawful business."

NEVADA.

This State has no statutes relating specifically to trust companies. The general incorporation laws provide (Laws of 1903, chapter 121) that three or more persons may incorporate for the transaction of any lawful business, except to carry on within the State an insurance business, or that of a surety company, or that of a railroad company other than a street railroad. Such a corporation has, in addition to certain specified and ordinary powers of corporations, "the powers expressly given in its articles or certificate under which it was incorporated." Chapter 119, Statutes of 1907, creates a Board of Bank Commissioners. Trust companies are apparently subject to the control of this Board if they do a banking business, but are not mentioned in the act.

NEW HAMPSHIRE.

Trust companies, as well as banks, are incorporated only by special act of the Legislature. The powers of such corporations are enumerated in their charters. There are a few general laws regulating the business of trust companies. For purposes of taxation, they are required to report to the State Treasurer annually, on or before May 1. The company must pay to the same official annually, in October, a tax of three-fourths of one per centum upon the amount of the general deposits on which it pays interest, after deducting the value of its real estate and the value of its loans secured by mortgage on real estate in the State made at a rate not exceeding five per centum per annum; and in addition a tax annually of one per centum upon the capital stock, less the value of all real estate owned by the corporation and not already deducted from the amount of the general deposits as hereinbefore provided. Such taxes are in lieu of all other taxes against the corporation, their stockholders and their depositors on account of their interests therein. Trust companies are under the supervision of the Bank Commissioners, who are required to examine them annually, or oftener when so directed by the Governor. If unsafe conditions are revealed, the Bank Commissioners may apply to the supreme court for the appointment of an assignee to take charge of the institution. Trust companies are forbidden to make loans to officers or directors except by the unanimous approval of the board of directors in writing. If the company transacts the business of a Savings bank, such business must be conducted in a separate department, which is amenable to the laws governing Savings banks, and the

Digitized by Google

Treasurer of the company shall give a bond to the savings department in like manner as is required of the treasurers of savings banks. Trust companies are forbidden to commence business until they have satisfied the Bank Commissioners that their capital has been paid in in accordance with the provisions of their charters. The management of such companies shall consist of a board of trustees or directors elected annually, who must be sworn to the faithful discharge of their duties, and one of whom shall be elected President of the company. Such board shall elect an investment committee of not less than three of its members. The board must meet at least once each month, and receive the report of the investment committee. Each director must be the absolute owner of at least ten shares of stock; or of at least five shares if the capital stock does not exceed $50,000. A trust company may not "hire" money or give its note except on the duly recorded vote of the directors. The directors are required to make a semi-annual examination of the company, forward reports of such examinations to the Bank Commissioners, and publish copies of same in a local newspaper. For the record of loans and investments, trust companies must keep a separate book, with classifications as required by the Bank Commissioners, which book must be submitted to the Commissioners or the directors at each examination. The Treasurer of the company must report to the Bank Commissioners the condition of the company annually as of the last business day of June. Officers and employees are forbidden to receive any fee, present or benefit from borrowers as an inducement to make loans. Trust companies are forbidden to loan to one person, firm or corporation an amount in excess of ten per centum of their capital, or to hold, both by way of investment and security for loans, the stock and bonds of any corporation to an amount in excess of said ten per centum, or to make loans on their capital stock.

(Laws of 1895, chapters 90, 92, 105 and 108; Laws of 1899, chapter 14; Public Statutes, chapter 65, §12, and chapters 162, 163 and 165, *passim*.; Laws of 1905, chapter 32.)

New Jersey.

The laws of this State regarding trust companies were carefully revised in 1899, and the Trust Company Law of that year is quite elaborate. Seven or more persons "of full age" may incorporate a trust company. The name of the company must contain the word "trust", and no company incorporated under any other act may use such word in its title. The capital must be at least $100,000 fully paid, divided into shares of $100 each. More than one class of stock is forbidden. The proceedings for incorporation are specified in detail.

In addition to the usual corporate powers, such a company, "whether such powers are set forth in its charter or certificate of incorporation or not," shall have power: To act as fiscal or transfer agent, and in such capacity to receive and disburse money; to act as

Digitized by Google

agent for corporations, foreign or domestic; to receive deposits of trust moneys, securities and other personal property; to loan on real or personal security; to hold such real estate as is necessary or convenient for the transaction of its business, or as its purposes may require, and such as is acquired in the settlement of debts due to it; to act as trustee under a mortgage or bond issue, "and to accept and execute any other municipal or corporate trust not inconsistent with the laws of this State;" to execute trusts for married women in respect to their separate property and to be their agent in the management of same; to act under appointment of court as guardian, receiver or trustee of the estate of any minor, and as depository of any moneys paid into court; to receive and execute court trusts; to manage estates; to receive and execute trusts of any nature or description confided to it by persons, bodies politic, corporations or other authority, and to hold any property or estate, real or personal, that may be the subject of any such trust; "to purchase, invest in and sell stocks, promissory notes, bills of exchange, bonds and mortgages and other securities", but "no corporation created under this act shall have power to discount commercial paper"; to give its bonds or obligations for moneys or securities for moneys borrowed or received on deposit or for investment; to act as assignee or trustee under an assignment; to act as receiver or trustee; to act as executor, administrator or as committee of the estates of lunatics, idiots, persons of unsound mind and habitual drunkards; to do a safe deposit business, a title insurance business, a fidelity insurance business, and to become sole surety in cases where by law two or more sureties are required, provided such powers are enumerated in the certificate of incorporation; to collect coupons or interest on securities; to receive and manage any sinking fund; "generally to execute trusts of every description not inconsistent with the laws of this State or of the United States"; to receive money on deposit subject to check or otherwise.

Trust companies are forbidden to make loans upon bills, notes or other evidences of debt, except to a county, city, town, township, borough or municipality of this State, unless the same shall be secured by mortgage upon lands or by other securities, the actual market value of which other securities shall at all times exceed by at least ten per centum the amount loaned upon the same. Funds or property held in trust must not be mingled with the other funds or property of the company. Such a company may not be appointed to act as assignee, receiver, administrator, guardian or trustee by any surrogate or court of the State, until it has set apart a fund specially devoted to securing its liabilities in such capacities of trust and confidence, invested in securities of the character in which trust funds may by law be invested, and has deposited such securities with the register of the prerogative court. This fund must be equal to at least one-fifth the amount of the liabilities for which the fund is especially responsible, unless the fund equals or exceeds $100,000—in which case it must be equal to at least one-tenth of

Digitized by Google

such liabilities. However, the creation of this fund is not required when the trust company gives security in the manner prescribed by law in such behalf for natural persons, or in cases where the trust company shall have been appointed as executor or trustee by any will or deed. If the deposit be made, no other security shall be required.

A list of stockholders of record must be kept which must be open at all times during business hours to the inspection of any stockholder. The affairs of every trust company shall be managed by a board of not less than five directors, elected annually. A majority of the Board constitutes a quorum; provided that if the number of directors exceeds nine, they may designate nine members, of whom any five shall constitute a quorum. Each director must own at least five shares of stock, and is required to subscribe to and place on file an oath not to knowingly violate, or permit to be violated, the provisions of the trust company law. Before the directors may declare a dividend, one-tenth of the net profits must be carried to a surplus fund until such fund equals twenty per centum of the capital. The directors must appoint examining committees who must examine the affairs of the company every six months. No loans may be made to directors, officers or employees unless the proposition to make such loan shall have been submitted in writing to the directors or executive committee and regularly approved by a majority of those present constituting a quorum, nor shall such persons be permitted to become indebted to the company through an overdraft. At least two reports each year must be made to the Commissioner of Banking and Insurance, according to a form prescribed by him, and abstracts of such reports must be published once in a local newspaper. The Commissioner may call for special reports. No trust company shall make loans on its own stock; or be a purchaser of same unless such purchase be necessary to prevent loss on a previously contracted debt; and stock so purchased must be disposed of within one year. Deposits made by minors are under their control.

Every trust company receiving deposits of money subject to check or payable on demand shall keep a reserve fund of fifteen per centum of all its immediate demand liabilities. One-fifth of this must consist of cash on hand: the balance may consist of deposits in "good, solvent banks or trust companies." Trust companies are subject to the inspection and supervision of the Commissioner of Banking and Insurance, who must examine them when he deems it expedient or at their request. If unsafe conditions are revealed, he may take immediate possession, notifying the Attorney-General, who shall institute such proceedings as are necessary. The capital of a trust company must be taxed in the taxing district where its office is situated, and its real estate where such real estate is situated. Trust companies are specially authorized to act as depositaries for the moneys of counties, cities and other municipalities. Trust companies may pay to either person moneys on a joint account, whether the other be living or not. It is a misdemeanor to circulate false reports regard-

Digitized by Google

ing a bank or trust company. Foreign trust companies may do only such business as is permitted to domestic trust companies, and upon compliance with the laws.

(Laws of 1899, chapter 174; Laws of 1902, chapter 71; Laws of 1903, chapters 210 and 214; Laws of 1906, chapters 157 and 191; Laws of 1907, chapters 35, 40 and 50.)

New Mexico.

Fifteen or more persons, a majority of whom are residents of the Territory, may incorporate a trust company. Articles of agreement must be filed with the Territorial Auditor of Public Accounts and with the probate clerk of the county. The capital stock actually subscribed must be at least $100,000, of which at least $100,000 must be paid in lawful money of the United States. The number of years that the corporation is to continue may not exceed fifty.

Powers specified: To receive money in trust; to guarantee special deposits; to do a safe deposit business; to accept and execute all such trusts and perform such duties of every description as may be committed to them by courts; to hold in trust real or personal property from whatever source received, and to execute any lawful trusts regarding same; to act as principal or surety and to guarantee against loss any principal or surety on any bonds required by law; to act as agent or attorney-in-fact for persons or corporations in the management of real or personal property and for the investment of money; to act as transfer agent and registrar; to execute trusts for married women with respect to their separate property, real or personal, and to act as agent in the management of same; to act as executor, administrator or as guardian of the estate or curator of any infant, insane person, idiot or habitual drunkard or convict; to do a fidelity insurance business; to guarantee the principal or interest, or both, of any securities of any kind; to conduct a title insurance business; to loan money on real estate and collateral security; to purchase, invest in and sell all kinds of Government, State, municipal and other bonds, and all kinds of negotiable and non-negotiable paper, and other investment securities. Courts are authorized to appoint trust companies as administrators, guardians, trustees, receivers, assignees, or in other fiduciary capacities, and as legal depositories for funds in the keeping of persons holding fiduciary appointments. Such court or officer may make orders regarding such trusts, and require such accounts as could be required of a natural person acting in such capacity. Any trust company may qualify as executor, administrator, guardian, receiver, trustee, assignee, committee or in any other fiduciary capacity or as depository of money in court, may become sole guarantor, surety upon bonds, and so on, without giving bond, upon making with the Auditor of the Territory a deposit of not less than $50,000 nor more than $200,000, as the Auditor may from time to time require, in cash, Treasury notes of the United States, or Government,

Digitized by Google

State or Territorial bonds, or bonds of any county of this Territory which has not defaulted in the payment of its obligations for five years. Such deposit shall be primarily liable for the obligations of such corporation acting in fiduciary capacities, and shall not be liable for any other debt or obligation of the corporation until all such trust liabilities shall have been discharged. But such corporations may act in such fiduciary capacities without having made such deposit, upon the execution and approval of a bond as required by law in the case of individuals. The securities deposited with the Auditor must be by him turned over to the Treasurer of the Territory, who shall have custody of same.

No dividends may be declared by trust companies until at least $100,000 of the capital stock has been paid in. Before dividends are declared, one-tenth of the net earnings must be carried to a surplus fund until such surplus fund equals twenty per centum of the paid-in capital stock.

Such corporations may not make loans on their own stock; nor shall they purchase their own stock, except to prevent loss upon a debt previously contracted, in which case such stock must be disposed of within six months. Loans to any one person may not exceed twenty per centum of the paid capital, and loans to any director, officer or employee must not exceed ten per centum of the paid capital. Such corporations must maintain a reserve of 15 per centum of their liabilities other than the liabilities for which bonds in an amount not less than $50,000 have been deposited with the Auditor of the Territory. Three-fifths of the reserve may consist of balances due the corporation from any National, State or Territorial banks or from any trust companies designated by the Auditor of the Territory.

Trust companies are required to make to the Auditor of the Territory not less than four reports during each year, according to the form which may be prescribed by him, and such reports must be published in a local newspaper. The Auditor may in his discretion call for special reports at any time. He is required to make examinations of trust companies once each half year, and oftener if he deems it necessary. If unsafe conditions are found, he may take charge of the company, and notify the Governor, who shall require the Solicitor-General to institute proceedings for the appointment of a receiver. Trust companies may become depositories of Territorial moneys to an amount not exceeding forty per centum of their paid-up capital. The affairs of such companies shall be managed by a board of not less than five directors, each of whom shall own at least ten shares of stock, and a majority of whom shall be *bona fide* citizens of the Territory. Directors serve for one year, unless the articles of incorporation divide them into classes so that the terms of a part of them expire each year, in which case the terms may be for three or five years. They are required to take an oath for the faithful performance of their duties. Trust companies may hold real estate needed for the business, and such as is obtained in the settlement of debts due to them, but the latter must be disposed of as speedily as

Digitized by Google

possible. Provision is made for the conversion of building and loan companies into trust companies. The provisions of the general incorporation act are made applicable to trust companies, so far as not inconsistent with this act.

(Council substitute for Council bill No. 10, February 28, 1903; Laws of 1903, chapters 52, 54 and 115; Laws of 1905, chapters 78 and 106; Laws of 1907, chapters 4, 66, 103.)

New York.

Thirteen or more persons may incorporate a trust company. An organization certificate must be filed with the Superintendent of Banks, who is charged with the duty of satisfying himself of the need of the proposed corporation and of the advisability of its incorporation. Capital required, at least $100,000 in towns or cities whose population does not exceed 25,000; at least $150,000 in cities of from 25,000 to 100,000 inhabitants; at least $200,000 in cities of from 100,000 to 250,000; and at least $500,000 in larger cities.

Powers specified:[68] To act as fiscal or transfer agent or registrar; to act as agent for corporations, foreign or domestic; to receive deposits of trust moneys, securities and other personal property from persons or corporations; to loan money on real or personal securities; to hold real estate necessary for the transaction of business, and such as is acquired in the satisfaction or partial satisfaction of debts due to the company; to act as trustee under any mortgage or bond, "and accept and execute any other municipal or corporate trust not inconsistent with the laws of this State"; to execute trusts for married women with respect to their separate property, to act as agent in the management of same; to act under the appointment of court as guardian, receiver or trustee of the estate of any minor; to act as depositary of moneys paid into court; to exercise such legal trusts in regard to the management of property, real or personal, as may be confided to it by courts, persons, corporations, municipalities or other authority; to execute trusts and powers of every description received from any source; to purchase, invest in and sell stocks, bills of exchange, bonds and mortgages and other securities; to give its bonds or obligations for moneys or securities for moneys borrowed or received on deposit or for investment; to act as executor, trustee under will, administrator, and committee of the estates of lunatics, idiots, persons of unsound mind and habitual drunkards; to do a banking business. No such corporation may make any contract or accept or execute any trust which it would not be lawful for any individual to make, accept or execute. No loan exceeding in amount one-tenth of the capital stock shall be made by any such corporation, directly or indirectly, to any director or officer thereof, and such loans must have the consent of a majority of the directors. Foreign trust companies are forbidden to do

68 The powers of New York trust companies are printed in full in Chapter IV.

Digitized by Google

a trust company business in New York, and any person or corporation acting as agent for same is guilty of a misdemeanor. A trust company may have branches in the city in which its business is transacted, but not elsewhere: but written approval of the Superintendent of Banking must be obtained for the opening of a branch, and the capital of the company must exceed the capital required by law by the sum of $100,000 for each branch office maintained. Courts are authorized to appoint trust companies as administrators, guardians, trustees, etc. Moneys brought into court on orders or judgments may be deposited in properly designated and bonded trust companies. Before engaging in business such companies are required to deposit with the Superintendent of Banks securities equal in value to ten per centum of the paid-up capital stock, and not less in amount than $100,000 in cities of 500,000 population or more, not less than $50,000 in cities of from 100,000 to 500,000 population, not less than $30,000 in cities of from 25,000 to 100,000 population, and not less than $20,000 in smaller places. These securities must consist of public bonds or stocks of the United States, or of this State, or of any of its political subdivisions; they must be registered in the name of the Superintendent officially, as held in trust as security for the depositors with and the creditors of such corporation. Beyond this deposit, no security shall be required of trust companies for or in respect to any trust, or when appointed executor, administrator, guardian, trustee, receiver, committee or depositary; except that courts or officers making such appointments may, upon proper application, require such security as they deem proper. Such courts or officers may make further orders regarding such trusts, and may require the corporation to render such accounts as might be required of a natural person acting in like capacity. The capital of such a company shall be invested in bonds and mortgages on unincumbered real property in this State to the extent of 60 per centum of the value therof, or in the stocks or bonds of this State or of the United States, or of any county or city of this State duly authorized by law to be issued. The stocks or bonds must not be valued on the books or in reports at a higher value than that determined by amortization, so as to bring them to par at maturity. Moneys received in trust may be invested, in the company's discretion, in the same classes of securities as the capital, or in the stocks or bonds of any State of the United States, or in such real or personal securities as it may deem proper. No such corporation shall hold stock in any private corporation to an amount in excess of ten per centum of its capital, surplus and undivided profits; nor shall it own stock of another monied corporation (except of a safe deposit company immediately connected with and adjacent to it,) to an amount exceeding, in par value, ten per centum of the outstanding capital of such other monied corporation. On all sums of money not less than $100 which shall be collected and received by such corporation acting in trust capacities, interest must be allowed at not less than two per centum per annum. The affairs of

Digitized by Google

such corporations shall be managed by a board of directors of such number, not less than thirteen nor more than thirty, as shall from time to time be prescribed in its by-laws. Not less than one-third of such board of directors, and in no case less than seven, shall constitute a quorum. Each director must own and continue to own unpledged, at least ten shares of stock. Directors must take oath for the faithful performance of their duties. They must be divided into three classes, so that the terms of office of one-third of the members shall expire each year, each member then being elected for a term of three years. The directors must meet once a month. They must designate an officer or officers whose duty it shall be to submit to each director at each regular meeting, or to an executive committee of at least five members of the board a written statement of all purchases and sales of securities, and of every discount and loan of $1000 or more made since the last meeting of the board, with description of collateral, together with other information. A verified copy of this statement must be filed with the records. Specially chartered trust companies are subject to the provisions of the general law so far as not inconsistent with the special laws relating to them.

Trust companies, in common with other financial institutions, are required to render reports to the Superintendent of Banks, upon his call, at least once every three months, such reports to contain such particulars as the Superintendent may prescribe. Summaries of such reports must be published in a local newspaper. Trust companies are subject to the supervision and inspection of the Superintendent of Banks, who must examine them at least twice a year or oftener at his discretion. If unsafe conditions are revealed, he must notify the Attorney-General, and may take possession of the company until the termination of the action instituted by the Attorney-General. Special examinations by order of the supreme court may be made on application of creditors or shareholders whose debts or shares amount to $1,000. All official communications from the State Banking Department must be submitted to the Directors at their next meeting after receipt of same.

In April and October of each year the Directors are required to examine the company or cause a committee of at least three of their number to do so. The examination is to concern particularly the loans and discounts, and the statute specifies what it must cover. Within ten days after completion, a written report of the examination must be made to the directors, which must be placed on file in the company's records, and a duplicate of the report must be filed with the Banking Department.

Such a corporation is prohibited from making loans to one person, company, corporation or firm to an amount exceeding ten per centum of its paid capital and surplus: provided, however, that a trust company having its principal place of business in a borough in any city which borough had at the last census a population of 1,800,000 or over (i. e., the borough of Manhattan in New York city) may loan to one interest

Digitized by Google

not exceeding 25 per centum, and a trust company located elsewhere in the State may loan to one interest not exceeding 40 per centum of its paid capital and surplus, upon security worth at least 15 per centum more than the amount of the loans; or, it may loan 10 per centum as first provided, and may loan a further sum, which shall not exceed 15 per centum if the trust company is located in the borough of Manhattan, or which shall not exceed 30 per centum if located elsewhere, upon securities worth at least 15 per centum more than the amount of such loan so secured; or it may make bona fide discounts for, or purchase business paper from one interest, to an amount which shall not exceed 25 per centum of the company's paid capital and surplus if the company is located in the borough of Manhattan, or to an amount not exceeding 40 per centum if the company is located elsewhere; provided further, that the total liability of any one interest shall not exceed 25 per centum of the paid capital and surplus of the trust company if it is located in the borough of Manhattan, or 40 per centum if it is located elsewhere. Loans "upon the securities of one or more corporations the payment of which is undertaken in whole or in part severally, but not jointly, by two or more individuals, firms or corporations" (i. e., "Underwriting Loans") may not be made under any circumstances to an amount exceeding 25 per centum of the capital and surplus of the trust company making such loan; and such loans are absolutely prohibited (a) if the borrower or underwriters be obligated absolutely or contingently to purchase the securities collateral to such loan, unless they have paid at least 25 per centum of the amounts for which they remain obligated; or (b) if the trust company making the loan is liable directly or contingently for the repayment of any part of the loan; or (c), if its term, including renewal, by agreement, express or implied, exceeds the period of one year. Real estate mortgage loans may not be made on property already encumbered, if the prior liens exceed ten per centum of the capital and surplus of the company, or if the sum of all the mortgages thereon will exceed two-thirds of the appraised value of the property. Mortgages and assignments thereof must be immediately recorded. The limit of direct or indirect aggregate loans upon real estate security is 15 per centum of the company's assets if the company is located in Manhattan borough, or 25 per centum if the company is located elsewhere. No trust company nor its officers nor agents may purchase paper at less than its face value, nor may officers or agents make loans that have been refused by the company. Deposits may not be made in other monied corporations unless same have been designated as depositaries by majority vote of the directors. Directors, officers and clerks are forbidden to borrow of the company, directly or indirectly, without approval of a majority of the board of directors. Such corporations may not make loans on their own stock; nor may they purchase same. unless to prevent loss upon a debt previously contracted in good faith; in which case the stock must be disposed of within six months. Loans upon the stock of another monied

Digitized by Google

corporation are limited to ten per centum of the capital of such other monied corporation.

Each trust company having a capital of $250,000 or upward, and having its principal place of business within a town adjoining a city, containing over 800,000 or less than 1,000,000 inhabitants, may add to its powers that of a safe deposit business and of a title insurance business. The same privilege is extended to stock companies having capital of $500,000 or upward, and located in counties containing from 300,000 to 600,000 inhabitants. The safe deposit business may be undertaken by trust companies having a capital of $200,000 or upward and situated in a county containing from 65,000 to 300,000 inhabitants, or in a county containing from 50,000 to 75,000 inhabitants. Trust companies may merge with title and credit guaranty corporations, acquiring their powers.

Every trust company having its principal place of business in the borough of Manhattan, New York city, must maintain a reserve of 15 per centum of its aggregate deposits less trust funds and time deposits not payable within thirty days, and less the deposits secured by New York State bonds. All of this reserve must be in cash. Trust companies in other boroughs of New York city must maintain reserves of 15 per centum, of which two-thirds must be in cash. Trust companies elsewhere in the State must keep reserves of ten per centum, of which one-half must be in cash. That part of the reserve not kept in cash may be on demand deposit with any bank or trust company in the State having at least $200,000 capital or $300,000 capital and surplus, and approved by the Superintendent of Banks. (These reserve requirements went into full effect on February 1, 1909.)

Directors who vote to make illegal loans to directors; directors, officers or employes who make deposits with other corporations for the consideration, express or implied, of a loan, or who make agreements that the holder of a certificate of deposit may receive payment of same in advance of maturity; officers or employes who intentionally conceal from the directors any loans or discounts or purchases or sales of securities made between meetings of directors, or who knowingly fail to report same; are guilty of misdemeanors.

Before declaring a dividend, trust companies must transfer one-tenth of their net earnings to surplus until the latter equals twenty per centum of the capital.

Minors may control their deposits in trust companies and other financial institutions. Deposits made by one person in trust for another may be paid to the latter upon the death of the former. The money in a joint account, in whole or in part, may be paid to either party during the life-time of both or to the survivor after the death of one of them. No official oath shall be required from a trust company which has been appointed executor, administrator, guardian, trustee, receiver or committee.

Digitized by Google

(General Laws and Revised Statutes [Heydecker], chapter 37, article 4, sections 150 to 163. Laws 1896, chapter 851 [p. 4816 Heydecker]. Laws 1900, chapter 552. Laws 1901, chapters 117, 118, 132, 443, 535, 677. Laws 1902, chapters 172, 360. Laws 1903, chapter 160. Laws 1904, chapters 479, 492, 607. Laws 1905, chapters 297, 394, 414, 416, 418, 456. Laws 1906, chapters 337, 481, 572, 601. Laws 1907, chapters 121, 247, 408, 522, 612, 739. Laws 1908, chapters 118, 120, 121, 143, 152, 155, 157, 169, 184. 194.)

North Carolina.

Trust companies are incorporated by special acts of the Legislature, which define their powers and their limitations. Also, by amendment of the banking laws, ratified March 8, 1907, trust companies, which are referred to as corporations which transact "banking and trust, fiduciary or surety business", are made subject to the general banking law. Number of corporators required, three or more. The shares of stock must be of a par value of either $50 or $100. The minimum capital allowed, of which at least fifty per centum must be paid in before beginning business, is $5,000 in towns of 1,500 inhabitants or less; $10,000 in towns of from 1,500 to 5,000 people, and $25,000 in larger places. The filing of certificate of incorporation and other formalities are provided for. Not more than twenty-five per centum of the capital may be invested in real estate, unless to protect loans or other debts due the company. A reserve of fifteen per centum of the deposits must be maintained, of which at least two-fifths must be in cash. Loans to one person, firm or corporation are limited to ten per centum of the paid capital, but this does not apply to companies having a capital of $100,000 or less. The stock holders are subject to double liability.

All banking corporations, including trust companies, are under the supervision of the Corporation Commission. To this commission they must render at least four reports each year, and such reports must be published in local papers. The reports must show "the entire amount of trust and surety and fiduciary and guarantee business as a part of the liabilities." If it is found that "such liabilities are equal to the amount of the capital stock, the said Corporation Commission shall have the authority, and it is hereby empowered, to make such rules and regulations and reductions of said liabilities as it may deem necessary for the protection of the creditors and depositors of such banking institution." The Commission must appoint an examiner, who must examine each company at least once a year.

The granting of a number of trust powers is authorized by the "Insurance Act of 1899", which provides for the formation of fidelity insurance companies. These are referred to in the marginal note as "bond and trust companies", and their purpose is thus stated: "To guarantee the fidelity of persons in positions of trust, private or public, and to act

Digitized by Google

as surety on official bonds, and for the performance of other obligations." They must have ten or more corporators, and the words "insurance company" must form a part of their titles. The powers specified for such companies are to do a fidelity insurance business and to act as surety on bonds; to do a title insurance business; to act as guardian, trustee, assignee, receiver, executor or administrator in the State, without giving bond; and the proper courts and officers are clothed with authority to appoint these companies to such trusts, whether the companies be residents of the State or not. Such companies must make an annual statement to the Insurance Commissioner, and must get from him a license, for which the annual fee is $25 for domestic and $100 for foreign companies. The original idea of the trust company as a kind of insurance company is noticeable in this act.

(Laws of North Carolina, Revisal of 1905, chapter 7, sections 222 to 251. Chapter 100, *passim*, especially sections 4726, 4799 to 4804. Statutes 1907, chapter 829.)

North Dakota.

Nine or more persons may incorporate to conduct the business of "an annuity, safe deposit, surety and trust company", to have perpetual succession. Articles of incorporation must be filed, and other preliminaries attended to as prescribed in chapter 11 of the Civil Code. The capital must be at least $100,000, divided into shares of $100 each. Of this $50,000 must be paid in before commencing business, and the balance must be paid within two years. The $50,000 required to be paid in before commencing business must be invested in bonds of the United States, or of the State of North Dakota, or in the bonds of other States, which have the approval of the State Auditor and State Examiner, or in the bonds or obligations of townships, school districts, cities, villages and counties within the State, which bonds or obligations have not been issued as a bonus for, or purchase of, or subscription to any railroad or other private enterprise, and whose total bonded indebtedness does not exceed five per centum of the then assessed valuation thereof, or in bonds or promissory notes, secured by first mortgages or deeds of trust upon unencumbered real estate in the State worth three times the amount of the obligation so secured. These securities must be assigned, transferred and delivered to the State Auditor, to be held by him as collateral security for the depositors and creditors of said corporation, and for the faithful execution of any trusts it may undertake. The company shall be managed by a board of directors, not less than nine nor more than fifteen in number, a majority of whom shall be citizens of the State, and each of whom must own at least ten shares of stock. The specified powers of such corporations are: To hold real estate necessary for the convenient transaction of its business, and for the use and occupation of its officers, agents and employees, and for the safe keeping of its assets,

Digitized by Google

deposits and property held in trust, and such as is acquired in the satisfaction of debts due to it; but no part of its funds may be invested in real estate except as above authorized, except that trust funds may be so invested if the instrument creating the trust or a particular contract so specifies, and not otherwise; to loan money on mortgage security; to purchase notes, bonds, mortgages and other evidences of indebtedness; to hold in trust any real or personal property by order of court, or from corporations or persons, and to execute any legal trusts with regard to same; to execute trusts for minors and for married women with respect to their separate property, real or personal, and to act as agent for the management of same; to act as fiscal and transfer agent and registrar; to hold on deposit for savings account, or for safe keeping, or in escrow, moneys and securities in the keeping of public or private officials or of persons holding fiduciary appointments, the officers or persons so depositing being relieved from liability for such deposits; companies receiving savings deposits shall be subject to the laws of the State regarding reports and examinations of Savings banks; to act as trustee, assignee, receiver, administrator, executor, guardian of the estate of any minor, lunatic, imbecile, spendthrift, habitual drunkard or other person disqualified to manage an estate; courts are authorized to make such appointments; "to receive deposits of money for general savings account, for safe keeping, or for investment"; "to loan money upon such securities as may be deemed advisable by its board of directors, and to borrow money in like manner upon the security of its own property or credit"; to act as attorney in fact for public or private corporations or persons in the management of real or personal property; to do a title insurance business; to do a fidelity insurance business. Trust funds and property must be kept separate from the property of the company and be readily identifiable. Special directions regarding investments in an instrument creating a trust must be followed. Trust companies may accept and execute any trust herein authorized, or act as sole surety on bonds, without giving security, other than the deposit with the State. Trust funds of over $100 in amount, not required for the uses of the trust for a year, must be invested in the classes of securities specified for the deposit with the State. Loans may not be made to directors, officers or employees; nor shall such persons become indebted to the company in any way unless authorized in regular form by the directors or investment committee. Such corporations are subject to further orders of courts appointing them to fiduciary offices, and must render statements called for or required by law to such courts. They are subject to the general jurisdiction of the district court of the county. They must render an annual statement as of June 1 to the State Examiner, giving details called for by him, and must publish a condensed statement of such report in a local newspaper. The Public Examiner must examine such companies once every six months, without notice to officers thereof, or oftener if required by written, verified information from a person interested in a

Digitized by Google

trust held by the company. If unsafe conditions are found and persisted in, he shall notify the Attorney-General, who shall institute such proceedings as are called for.

(Revised Code 1905, chapter 22, paragraphs 4677-4692.)

Ohio.

Five or more persons may become incorporated to establish "a commercial bank, a savings bank, a safe deposit company, a trust company, or to establish a company having departments for two or more, or all of said classes of business". The articles of incorporation must specify what classes of business are to be included. Capital required, of a trust company, or of a combined trust company and safe deposit company or of a combined trust company and savings bank, $100,000; of a combined trust company, savings bank and safe deposit company, or of a combined trust company, savings bank, commercial bank and safe deposit company, $125,000. Fifty per centum of the capital must be paid before beginning business, and the balance at the rate of ten per centum per month. The board of directors must number from five to thirty, three-fourths of whom must be residents of the State, and each of whom must own at least five shares of stock. They must take an oath of office. They may elect an executive committee of at least three of their number, which must meet at least once a month.

The trust powers specified are: To do a safe deposit business; to collect income or principal of property held for safe keeping; to act as registrar and transfer agent; to act as depository of court funds; to receive and hold money or property in trust or on deposit from fiduciaries, corporations or individuals; to act as trustee under any will or instrument creating a trust for the care and management of property, "under the same circumstances, in the same manner, and subject to the same control by the court having jurisdiction of the same, as in the case of a legally qualified person"; to execute "all such trusts of every description as may be committed to such company by any person or persons, or any corporation, by grant, assignment, devise or bequest, or which may be committed or transferred to, or vested in, such company, whether the same be to act as executor, administrator, assignee, guardian, receiver or trustee, or in any other trust capacity", by order of court; to receive and take any real estate which may be the subject of any such trust, and to act as agent under any power; provided, any such appointment as guardian shall apply to the estate only, and not to the person. (But that part of the statutes which authorizes probate courts to appoint trust companies administrators, etc., was by the Supreme Court of the State, in 1903, declared unconstitutional.) Courts may order moneys paid to them, or in their charge, deposited in trust companies. Minors may control their accounts.

Digitized by Google

Before dividends are declared one-tenth of the net profits must be carried to surplus until same equals 20 per centum of the capital. Stockholders are not subject to double liability. Checks may not be certified unless the drawer has a balance to cover same, and certified checks must be charged at once. Violation of this rule is punishable by fine or imprisonment in the penitentiary, or both. Embezzlement, the making of false entries, fictitious borrowing with fraudulent intent to deceive examiners, the making of false statements or reports with fraudulent intent, are crimes punishable by imprisonment in the penitentiary or fine, or both.

A separate trust department must be maintained, whose assets shall not be liable for any other liabilities of the corporation; and separate sets of books must be kept for each department maintained. No trusts may be accepted unless the company has made a deposit with the treasurer of State, said deposit to be $50,000 if the company's capital is $200,000 or less, and $100,000 if its capital is larger. This deposit may be in cash, in government or municipal bonds or in certain railroad bonds. The securities may be exchanged, and the company may receive the income so long as solvent.

The reserve required (which is the same as that required of savings banks), is 15 per centum of total deposits. At least six per centum of demand deposits and at least four per centum of time deposits must be in cash in the vaults; the balance of the reserve may be on deposit with other banks or trust companies designated by the board of directors, whose resolution regarding same shall be certified to the Superintendent of Banks. But where the reserve required to be kept in the vaults exceeds $500,000, the excess above that amount may be invested in United States bonds. No reserve is required on trust funds. Trust companies—and other banks—may own such real estate as is "useful for the convenient transactions of its business", from portions of which not required for its business a revenue may be derived; but the cost of land and buildings may not exceed 60 per centum of paid capital and surplus. It may also hold such real estate as is transferred to it as security for debts; and such as is obtained by foreclosure or on judgments or decrees, but the last named must not be held more than five years except on authorization by the Superintendent of Banks.

Loans to one interest including overdrafts, may not exceed 20 per centum of the paid capital and surplus. Bona fide discounts are not considered as money borrowed. Loans upon real estate must be approved by the board of directors, and may not in the aggregate exceed 60 per centum of the capital, surplus and deposits, and real estate loans must be upon real estate situated in Ohio or states immediately adjacent thereto, and shall not exceed 40 per centum of the value of said real estate, if unimproved, or 60 per centum of its value, if improved. Loans may not be made upon the company's own stock; nor may same be pur-

Digitized by Google

chased except to prevent loss upon debts previously contracted in good faith: stock so acquired shall be sold within six months. Not more than 20 per centum of the capital and surplus may be invested in any one stock, security or loan, except in a building and vaults or in specified government and municipal securities. The exact limitations regarding loans and investments depend upon whether the corporation is organized as a trust company only, or as a trust company with other departments, —banking, savings and safe deposit. In the investment of trust funds, the directions of the instrument creating the trust must be followed. Unless otherwise directed in such instrument, such funds may be invested in a general trust fund; but no trust funds may be mingled with the other assets of the company.

Trust companies, and all other banking institutions except building and loan associations, are under the supervision of the Superintendent of Banks, to whom they must render at least four reports each year, upon his calls, which shall be made (as of a past day) so far as possible for the same days for which reports of national banks are called. Special reports may be called at the discretion of the Superintendent. The reports must be published in local papers. The Superintendent must examine each company at least twice each year, without previous notice, in the presence of a majority of the members of the executive committee. Courts may appoint persons to examine a company regarding a trust, upon written application of a party interested in the estate held under such trust. Examinations must be made annually by a committee of at least two directors or stockholders, and a copy of their report filed with the Superintendent of Banks.

(Acts of 1908, H. B. No. 833, passed in April, 1908. This bill repeals all acts inconsistent therewith, but does not go into complete operation until April 1, 1910. See also Bates' Annotated Ohio Statutes, §§ 3817-3821ggg, except such sections as are specifically repealed by the above bill.)

OKLAHOMA.

Three or more persons may incorporate a trust company. The number of years the corporation is to continue may not exceed fifty. Capital required, not less than $100,000 in towns of less than 10,000 inhabitants, and not less than $200,000 in larger places; one-half paid in cash, and the balance to be paid within six months. The capital may not exceed $10,000,000. The affairs of the corporation shall be managed by a board of directors, not less than five nor more than twenty-five in number, each of whom must be a stockholder. If the number exceeds five, they shall be divided into three classes so that the terms of one-third shall expire each year, the terms of each thereafter being three years.

Powers specified: The ordinary powers of corporations; to receive

Digitized by Google

savings accounts, and the payment to them on their order of deposits made by minors shall be binding on them; to guarantee special deposits; to do a safe deposit business; to accept and execute trusts and duties of every description committed to them by persons or corporations; to accept and execute court trusts; to act as assignee, receiver, trustee and depository; to hold in trust any real or personal property from whatever source received, and in whatever manner conveyed, and to execute any lawful trusts in regard to same; to act as surety on bonds, and to guarantee against loss any principal or surety on a bond; to do a fidelity insurance business; to act as agents and attorneys in fact for persons and corporations for the management of real or personal property and for the investment of money; to act as registrar or transfer agent; to execute trusts for married women with respect to their separate property, real or personal, and as agents for the management of same; "and generally to have and exercise such powers as are usually had and exercised by trust companies"; to act as executor, administrator, guardian or curator of any infant, insane person, idiot or habitual drunkard, or trustee of any convict in the penitentiary; to loan money upon real estate and collateral security; to issue its notes and debentures payable at a future time, and to pledge its mortgages on real estate and other securities as security therefor, which notes and debentures may be issued to an amount, not exceeding in the aggregate, ten times the paid capital of the company, and shall in no case exceed the amount of the first mortgages pledged to secure their payment; to buy and sell the bonds and warrants of this State, and all other kinds of Government, State and municipal bonds, and all kinds of negotiable and non-negotiable paper, stocks and other investment securities. Moneys placed in charge of the corporation may be invested in loans secured by real estate or other sufficient collateral security, in public bonds of the United States, or of this State or of any State, or in the bonds or stocks of any county or school district, or any incorporated city, town or village of any State. Such corporation may own only such real estate as is required for the transaction of its business, and such as is acquired in the settlement of debts due to it. The directors are required to render full statements to the stockholders as often as once in each year. The books and records of the company shall be kept open "for the inspection of all persons interested." Trust companies may qualify as guardian, curator, executor, administrator, assignee, receiver, trustee or depositary of money in court, without giving bond as such, and become sole guarantor or surety upon any bond required by the laws of the State, any other statute to the contrary notwithstanding, as well as to insure the fidelity of persons holding places of public or private trust; provided, such company shall first deliver into the custody of the Treasurer of the State a deposit of $50,000, consisting of cash or Government, county or municipal bonds, or bonds or warrants of the State, or notes or debentures secured by first mortgage or deeds of trust

Digitized by Google

on real estate situated in the State, worth at least double the amount loaned thereon, and certain other securities named in the statute, said bonds or securities not to be received or held at a rate above par, but if their market value is less than par they shall not be held above their actual market value. The fund so deposited shall be primarily liable for the obligations of the company in the above-mentioned fiduciary capacities. This fund must never be less than one-half the annual premiums and compensations earned by the company in trust capacities during the previous year; it must be increased each year, if necessary, to meet this requirement.

Trust companies are under the supervision of the Bank Commissioner, to whom they must make at least four reports each year, on his call; and by whom they are to be examined at least twice a year.

The State Banking Board, which is composed of the Governor, Lieutenant Governor, President of the Board of Agriculture, State Treasurer and State Auditor, has the supervision and management of the "Depositor's Guaranty Fund." To provide this fund, the Board levies against the capital of every bank and trust company organized under the laws of the State an assessment of one per centum of the average deposits, less deposits of United States and State funds otherwise secured, for the preceding year. Each year a statement must be rendered to the Bank Commissioner of average deposits for the preceding year, accompanied by a remittance for the added amount, if any, needed to bring the assessment up to the required one per centum of average deposits. If for any cause a company's guaranty fund becomes depleted, the State Banking Board levies a special assessment to cover the deficiency. New companies deposit three per centum of their capital in the guaranty fund, such deposit being subject to re-adjustment on the basis of average deposits after the end of their first year of business. The Bank Commissioner delivers to each company complying with the above provisions a certificate stating the fact of such compliance and that its deposits are guaranteed by the fund. This is to be conspicuously displayed in the office, and may be used on stationery and advertising matter. When a company fails or quits business for any reason, voluntarily or involuntarily, the Bank Commissioner may take possession to wind up its affairs. The depositors shall be paid in full, and if the company's available cash is insufficient for the purpose, the Banking Board shall draw from the guaranty fund. The State has for the benefit of the guaranty fund a first lien upon the company's assets and upon all liabilities against stockholders, officers and directors and all others.

(Wilson's Revised and Annotated Statutes, 1903, chapter 18, article 14, sections 1119-1135. Laws of 1905, chapter 10, article 3. Laws of 1908, H. B. No. 615, approved May 26, 1908.)

Digitized by Google

OREGON.

Section 7 of the general banking law of 1907 says that any person, firm or corporation (except National Banks) having a place of business within the State "where credits are opened by the deposit or collection of money or currency or negotiable paper subject to be paid or remitted upon draft, receipt, check or order, shall be regarded as a bank or banker, and as doing a banking business under the provisions of this act." Trust companies which do a banking business as thus defined are therefore banks in the meaning of the law, and are so treated elsewhere in the statutes. The use of the names "bank" and "trust company" is forbidden except to companies complying with the act, provided, that the term "trust company" may be used "where the business transacted is in no sense a banking business as defined in section 7 of this Act"; and such a concern is not governed by this act.

Banks must be governed by a board of three or more directors. The capital required, of which at least fifty per centum must be paid before commencing business, is $10,000 in villages of a population of less than 1,000, $25,000 in towns of from 1,000 to 2,000, $30,000 in towns of from 2,000 to 5,000, and $50,000 in larger places. They may hold only such real estate as is necessary for the conduct of the business (and this must not exceed fifty per centum of the capital, surplus and undivided profits), such as is taken in satisfaction of debts previously contracted, and such as is purchased at sales under judgments, etc. This does not apply, however, to trust funds or estates. The directors, each of whom must own at least $500 par value of stock, must meet at least once every three months, "and shall at such times examine the loans, paper and securities of the bank and its liabilities and resources of every kind." The results of the examinations must be spread upon the minutes. Before the declaration of a dividend one-tenth of the profits must be carried to surplus until the same is equal to twenty per centum of the capital. Minors and other persons under disability may control their own deposits. The bank may pay the balance of a joint account to the survivor. It is not liable for the payment of a raised or forged check unless the depositor notifies it of the forgery within thirty days after his checks have been returned to him. Loans to one party, except *bona fide* discounts and secured loans, are limited to twenty-five per centum of the capital and surplus; and secured loans may not be for amounts of more than fifty per centum of the value of real estate or seventy-five per centum of the value of commercial paper or personal property securing same. Checks may not be certified unless the drawer has the funds to meet them on deposit, and such checks must be charged at once. Loans may not be made to officers or employees, or to the State Bank Examiner or his employees, unless first approved by a majority of the directors; and the action of the latter must appear upon the minutes. If such loans are made in a dishonest or excessive manner, or incur great risk or loss to the bank,

Digitized by Google

every director assenting to same is personally liable. The reserve, of which one-third must be in cash in the vaults, must be, in cities of less than 50,000 inhabitants, fifteen per centum of demand and ten per centum of time liabilities; and in cities of over 50,000 inhabitants, twenty-five per centum of demand and ten per centum of time liabilities. All banking institutions are under the supervision of the Board of Bank Commissioners, consisting of the Governor, the Secretary of State, and the State Treasurer. They must appoint a competent examiner, who shall examine each company whenever he thinks it necessary, and at least once a year. Reports must be made to him, of a form prescribed by him, and same must be published in local papers. He must call for these reports on the same dates that the Comptroller calls for National Bank statements.

(Laws of 1907, chapters 135 and 138. Also see chapter 265.)

PENNSYLVANIA.

Although this State contains more trust companies than any other, and rivals New York in the early development of such corporations, its statutes relating to corporations doing the business of a trust company are in need of revision and codification. The number of sections of the statutes relating to trust companies by name is very small. Most of the ordinary powers of trust companies are enumerated in the statutes relating to title insurance companies.

The specified powers of such companies are: To do a title insurance business; to receive and hold on deposit and in trust and as security, estate, real and personal, including the notes, bonds and obligations of States, individuals, companies and corporations, and the same to purchase, collect, adjust and settle, sell and dispose of in any manner, without proceeding in law or equity; provided, that nothing herein contained shall authorize said companies to engage in the business of banking; to do a fidelity insurance business; to do a safe deposit business; to act as assignees, receivers, guardians, executors, administrators, "and to take and receive and execute trusts of every description not inconsistent with the laws of this State or of the United States"; to receive deposits of moneys, and to issue their obligations therefor; to invest their funds, other than funds committed to their care by the orphan's court, in and to purchase real and personal securities; to loan money on real or personal security, and to invest funds committed to their care by the orphan's court in such securities as shall be approved by such courts; courts into which moneys are paid or are to be placed by order or judgment, may direct same to be deposited with any such corporation; to act as fiscal or transfer agent or registrar; to become sole surety in any case where, by law, one or more sureties may be required for the faithful performance of any trust or duty; to hold any and all such pieces of real property as may be the subject of any insurance made by such companies under the powers conferred by their charters, and the same to dispose of

Digitized by Google

in any manner they see proper; "to purchase and sell real estate and take charge of the same"; to become security for the faithful performance of duty in several cases specified and to become security for other purposes named in the statute; provided that before exercising any of the above-mentioned powers, such corporations shall have a paid-up capital of not less than $125,000. When acting in fiduciary capacities the capital of such companies shall be taken as the security required by law for the faithful performance of duty, and shall be absolutely liable in case of default. Persons holding fiduciary appointments may deposit the securities or other valuables for safe keeping with such companies. Courts making fiduciary appointments to such companies may have the companies examined. Trust funds and investments must be kept separate from the assets of the company, and investments made by the company as fiduciary must be so designated as to clearly show to what trust they belong. The powers of doing a safe deposit business and of acting as fiscal or transfer agent or registrar are given to all companies incorporated under the laws of the Commonwealth "which are by their charters authorized to act as trustees, receivers, assignees, guardians and committees." Such companies may increase their capital stock to an amount not exceeding $2,000,000.

Previous to 1873 trust companies in the State were incorporated by special acts of the Legislature, but the constitution of that year forbade such special charters in the future. No provision for the incorporation of such companies under general law was made until 1881.

Trust companies are under the supervision of the Commissioner of Banking. They must render to him not less than two reports each year, according to the form prescribed by him, and within five days (unless he extends the time) after the receipt of a request therefor from him. He may also call for special reports. Summaries of the reports must be published in a local newspaper at least three times. It is the duty of the Commissioner of Banking to examine such companies as often as he shall deem proper. If unsafe conditions are revealed, he must notify the Attorney-General, who shall institute proceedings for the appointment of a receiver; or, if the conditions seem to make it necessary, the Commissioner may appoint a temporary receiver. No director of such a company shall receive as a loan an amount greater than ten per centum of the paid capital and surplus; and the gross amount loaned to all officers and directors of such corporations, including concerns in which they are interested, shall not exceed twenty-five per centum of the paid capital and surplus. Such companies may not loan on their own stock; nor shall they purchase same, unless to prevent loss on a debt previously contracted in good faith, in which case the stock so purchased shall not be held for a longer period than six months, "if the same can be sold for what such stock cost the corporation." It is a misdemeanor punishable by a fine not exceeding $1,000 and imprisonment not exceeding two years, or both, for any director, officer or employee of a bank, trust company or

Digitized by Google

building and loan association to make a false statement or entry on the books or to subscribe to or exhibit same with intent to deceive, or to wilfully or knowingly subscribe to a false report. All such corporations must furnish a receipt in full, by pass-book or otherwise, for all moneys received as deposits or otherwise. The reports must set out in full the aggregate of these liabilities, which must not be concealed for any purpose. If the company borrows money the amount must be set out in full on the books and in all reports required by law. It is also illegal to conceal any assets. Violations of these provisions constitute a misdemeanor. For purposes of taxation, trust companies must render an annual report on or before June 20, stating the number of shares of the company outstanding, their actual value, etc.

The reserve requirements, which apply to all State banks, Savings banks and Trust Companies, are as follows: If the company receives deposits subject to or payable on demand, it must keep a reserve of 15 per centum of the aggregate of all immediate demand liabilities. If the company receives time deposits "payable at some future time", it must keep a reserve of 7½ per centum of all time deposits. One-third of the reserve must be in cash; one-third may be in certain specified bonds; the balance may be on deposit in any bank or trust company in Pennsylvania approved by the Commissioner of Banking, or in companies in reserve cities in other States approved by him.

Trust companies may renew or extend their charters for a period of twenty years on complying with the provisions of the law of May 10, 1889.

(Laws of June 11, 1885, §§ 1, 2, 3; May 9, 1889, § 1; May 10, 1889, § 1; Feb. 11, 1895, §§ 1, 2, 7, 9; May 29, 1905; June 24, 1895, § 1, June 26, 1895; June 27, 1895, §§ 1, 2; May 29, 1901; June 14, 1901; April 21, 1903 [art. 162]; Acts of 1905, No. 131; Acts of 1907, Nos. 141, 150, 151, 512, 525. The Title Insurance Company laws are found in Pepper and Lewis's Digest, Vol. 3 [Supplement, 1894-97], chapter 12, §§ 90-109.)

Rhode Island.

Trust companies in this State, which were formerly incorporated only by special act of the Legislature, may since May 26, 1908, be organized under the general banking law passed on that date, to which all trust companies in the State must conform. Fifteen or more persons, all of whom must be citizens of the State, may associate for the purpose of forming a trust company. The incorporation proceedings are detailed at length. No shares of stock may be issued until their par value has actually been paid in cash. Branches may be established after obtaining the consent of the Board of Bank Incorporation. None but regularly incorporated trust companies may use the words "trust company" in signs, titles, etc.

Digitized by Google

The powers specified, in addition to ordinary powers of corporations, are to receive and hold moneys in trust or on deposit; to allow interest on same; to make such loans and investments as are not prohibited by this act; to hold on deposit moneys or to receive and manage other property in charge of executors, administrators and other fiduciaries, who are released from liability for funds or other property so deposited; to do a safe deposit business; to act as executor, administrator, custodian, conservator or guardian of any estate, giving bond in the same manner as individuals so acting, but surety on such bonds shall not be required except upon written demand of a person pecuniarily interested; to act as assignee, receiver; to accept trusts of every description committed to it by persons, corporations or courts; courts are authorized to appoint such a corporation as administrator, custodian, guardian (of the estate only) or conservator, except that they may not appoint it administrator or custodian upon the estate of a wife dying intestate unless upon petition of the husband; to be depositary of court funds.

Trust companies are required to deposit with the Treasurer of the State, in cash or in certain specified securities, an amount equal to twenty per centum of the capital as security additional to the capital for the faithful performance of trust duties. Substitutions of these securities may be made, and the income goes to the company depositing them. Banks and trust companies must maintain reserves of fifteen per centum of aggregate deposits, of which two-fifths must be in cash on hand. The balance may be on deposit with authorized reserve agents. These reserve requirements do not apply to the funds of the savings or "participation" department, if the company has complied with the law relative thereto, which requires that a guaranty fund equal to five per centum of the savings deposits be accumulated by setting aside fom one-eighth to one-fourth of one per centum of the net profits of the department each year. A separate savings department must be maintained, whose assets are not subject to other liabilities of the company until savings deposits have been paid. The investments permitted to this department are specified at great length, and include municipal bonds, certain steam and electric railroad bonds, certain bank stocks, loans secured by the foregoing, securities and notes of certain gas, water, electric light or power, telephone, railroad or street railway companies, real estate mortgages under certain limitations, and promissory notes under limitations.

Trust companies may not make loans for the repayment of which they are directly or contingently liable; or loans in excess of twenty per centum of the capital, surplus and profits, the repayment of which is undertaken severally, but not jointly, by two or more individuals, corporations, firms or other parties. Loans to one interest, bona fide discounts excepted, may not exceed ten per centum of the paid capital and surplus, nor in any event thirty per centum of the capital. Overdrafts by

Digitized by Google

officers or employees are forbidden, and loans to them must first be submitted in writing to, and be approved by, the directors or executive committee. The company may not loan on its own stock, or purchase same except to prevent loss on debts previously contracted in good faith, and stock so acquired shall be sold in one year. Minors may control their deposits. Joint accounts of two persons may be paid to either or to the survivor. Ninety days notice may be required for withdrawals on savings accounts. The deposits of a trust company may not exceed ten times the amount of the surplus and paid capital. A number of offences and crimes are made punishable by fine or imprisonment or both.

Trust companies are under the supervision of the Bank Commissioner, to whom they must make at least five reports each year, on his call. The information to be given is specified in detail, and is quite full. It includes trust funds. The Commissioner must examine each company at least twice in each year, and if it is connected with a National bank, must if possible, work simultaneously with the National bank examiner. (Laws of 1908, Chapter 1590, passed May 26, 1908.)

South Carolina.

Trust companies in this State are incorporated by special act of the Legislature, such special charters defining the powers and limitations of such corporations. They may also be incorporated under the Business Corporation Law. There are few general laws relating to trust companies, but they are governed by the banking laws, in part at least. Any banking corporation or trust company, with a *bona fide* capital of at least $25,000 actually paid in, if so authorized by its charter, may be appointed executor, administrator, receiver, assignee, guardian (of the estate only, not of the person), trustee for the care and management of property, "under the same circumstances, in the same manner, and subject to the same control by the court having jurisdiction of the same, as a legally qualified person." The capital and stockholders' liability are held as security for the faithful performance of duty, and no surety shall be required upon bonds filed by such company, except that the court making any of the above-mentioned appointments, save that of trustee, may, upon application of an interested person, require such additional security as the court considers proper. The State Bank Examiner is required to examine each company at least once a year, and also upon petition of stockholders representing one-fourth of the stock. The examiner must, without previous notice, call for at least four statements each year, and these statements must be published in local papers.

(Laws of 1903, No. 37; Laws of 1904, No. 215; Laws of 1906, No. 64).

South Dakota.

Five or more persons, of whom one-third must be residents of the State, may incorporate a trust company. The capital must be at least

Digitized by Google

$25,000 in towns of less than 10,000 inhabitants; at least $50,000 in cities of from 10,000 to 25,000, and at least $100,000 in larger cities. It must be divided into shares of $100 each, and must all be paid in before commencing business. The stockholders are subject to double liability. There must be at least five directors, each of whom must own five shares of stock, and a majority of whom must be residents of the State. The powers specified are to act as assignee or trustee by deed, executor, guardian or trustee by will, such appointments having the same force as in the appointment of natural persons; to act as receiver, assignee, guardian, conservator, executor, administrator or other trustee by appointment of court; the appointment as guardian or conservator shall be of the estate only, not of the person; to act as fiscal agent, transfer agent, registrar, trustee under bond issues; to execute trusts and powers "of whatever nature or description" not in conflict with the laws, received from persons, corporations, courts or other authority; to hold and manage in trust real or personal property; to act as agent for the investment of moneys in real or personal securities; to receive moneys and other property, real or personal in trust and to allow interest; to deal in stocks, bills of exchange, bonds, mortgages, notes and other securities; to loan on real or personal security; but the total loans may not exceed ten times the capital and surplus; to buy, sell, deal in and handle real estate, but the amount invested in real estate shall not exceed one-half the paid capital, (this does not apply to trust funds or to real estate taken in satisfaction of debts, but real estate taken as last mentioned shall not be held more than two years); to receive money on deposit subject to check.

Before a dividend is declared, ten per centum of the net profits must be carried to surplus until the latter equals 30 per centum of the capital. Before undertaking any trust the company must execute a bond in favor of the State in a penal sum equal to the capital, signed by at least three securities, approved by and deposited with the Secretary of State; the latter has the discretion of accepting a surety company bond. No other bond shall be required of the company, except that a court may at its discretion require more security if the value of an estate to be committed to the company's care exceeds the capital and surplus by more than three times. No loans may be made on the company's own stock except to prevent loss upon debts previously contracted in good faith, in which case it must be sold within six months. The total liability to the company of any one party must not exceed 15 per centum of the capital and surplus, first mortgages on property worth double the amount loaned being excepted. Trust funds must be kept separate. The compensation received by the company must not exceed that allowed to natural persons for like services.

A reserve must be maintained, of 10 per centum of time and 25 per centum of demand deposits; on hand in cash or on deposit in solvent banks. The Public Examiner must call at least four reports each year, ac-

Digitized by Google

cording to a form prescribed by him, as of past days. The reports must include a list and brief description of the trusts and of the amount of real and personal estate held under the same. Special reports may be called and all reports must be published in local papers. Each company must be examined at least once a year by the Public Examiner. Title insurance, surety and fidelity insurance companies are provided for by chapter 73, Acts of 1905.

(Laws of 1903, chapter 79 [this is 4204 and 4205 Grantham's Annotated Statutes 1901]. See also Annotated Statutes, paragraph 3812. The trust company law is found in chapter 74, Laws of 1905, as amended by chapter 109, Laws of 1907).

TENNESSEE.

Act 168 of the Acts of 1883 provides for the organization of banks, "said banks to be invested with authority, if the banking company or corporation so chooses, to couple with the ordinary business of banking a safe deposit and trust company." Such banks must have five or more directors. Their powers specified are: Ordinary banking; safe deposit business; to guarantee the payment of bonds and mortgages; to do a title insurance business, and "to accept and execute all trusts of every name and kind which may, with its consent, be imposed upon it by any person or corporation, whether the trust be that of guardian, executor, trustee, the committee of the estate of a *non compos mentis*, or any other trust, the said corporation being hereby invested with the power to act in such fiduciary capacity as fully as if the corporation were a person in being." Such corporation must be organized like other corporations, and must publish a statement in a local newspaper every six months. (Shannon's Code, 1896, §§ 2090-2105).

Chapter 44, Acts of 1901, provides that trust companies must, in July and January of each year, or within thirty days thereafter, publish in a newspaper in the county a statement of financial condition as of June 30 and December 31, respectively, next preceding. The form of this statement is to be determined by the Comptroller of the State.

Chapter 377, Acts of 1903, makes more detailed provisions regarding trust companies. Banks in counties of population from sixty to ninety thousand, organized for the purpose of conducting a savings, safe deposit and trust banking business, with a capital of $100,000 or more, "may be appointed to accept and execute trusts and agencies of any kind and character whatsoever", to which they may be appointed by persons, corporations, public or private, or executor, administrator, guardian (of estates only, not of persons) of infants, idiots, lunatics and other persons of unsound mind, receiver, commissioner, assignee or trustee for any person, firm, association, etc., attorney in fact or agent for the transaction of any business, management or sale of any property whatsoever, "in the same manner and to the same extent as natural persons." The capital of such companies shall be taken as the security for faithful per-

Digitized by Google

formance of duty required by law, and no other security need be required, except in the discretion of the courts. Such corporations may act as depositaries for public funds and for funds in charge of persons acting in fiduciary capacities.

Trust funds must not be included in the assets of the company. They may be invested in bonds of the United States, of Tennessee and the other States, first mortgage bonds of any railroad, bonds of any county or municipal corporation, provided such bonds be worth par or more and have regularly paid dividends of not less than four per centum for the five years preceding, or in first mortgages on real estate appraised at least twice the amount loaned thereon, such mortgages to run for not more than ten years. The designation of an attorney in a will, and the right of heirs to select an attorney must be recognized. When acting as guardian, such company need render statements only every two years, instead of yearly, as is required of natural persons so acting. The fees which may be charged for services in certain fiduciary capacities are specified in the statute.

Texas.

Five or more persons may incorporate a "banking and trust company." Articles of agreement must be filed with the Secretary of State. The corporation may not continue more than fifty years.

The act authorizes the establishment of banks of deposit or of discount, or both, having trust powers. The powers specified are: To exercise the powers of banks of deposit and discount; to act as fiscal agent of corporations, public and private; to act as transfer agent and registrar; to receive deposits of trust moneys, securities or other personal property; to loan money on real or personal securities; to hold such real estate as is needed in the transaction of the business, and such as is acquired in the satisfaction of debts due the company; but the latter may be retained not more than five years; to act as trustee under any mortgage or bond issue, "and accept and execute any other municipal or corporate trust not inconsistent with the laws of this State"; to accept trusts for married women with respect to their separate property, and to act as agents in the management of same; to act under the appointment of court as guardian, receiver or trustee of the estate of any minor, the annual income of which shall not be less than $100; to act as depository of any moneys paid into court; to execute any legal trusts regarding the management of estates real or personal, from whatever source the trust may be received; to manage estates; "to purchase, invest in, guarantee and sell stocks, bills of exchange, bonds and mortgages and other securities"; to issue its own bonds and obligations; to act as executor, as administrator, as guardian of any infant, insane person, idiot or habitual drunkard, or as trustee for any convict in the penitentiary, under appointment of court; to do a fidelity insurance business; "provided, this

Digitized by Google

act shall never be construed as authorizing the granting of a trust not lawful as between individuals."

The capital shall be not less than $50,000 nor more than $10,000,000. The affairs of the corporation shall be managed by a board of directors not less than five nor more than twenty-five in number; elected annually unless the number exceeds five, in which case they are to be divided into three classes so that each shall serve three years, one-third retiring each year.

The office of Superintendent of Banking is filled by the Commissioner of Agriculture, Insurance, Statistics and History, who is authorized to employ clerks and examiners. It is his duty, either in person or by an examiner, to visit and examine every trust company in the State once per annum, and oftener when he thinks it necessary. The expense of such examinations is borne by the companies examined, according to a schedule of maximum charges outlined in the statute. Detailed provision for procedure to enforce the authority of the Superintendent of Banking is made in the statute. In case he finds a trust company to be in bad condition or to ignore his instructions, he must communicate the facts to the Attorney-General, who shall institute such proceedings as the nature of the case may require. In case of need, the Superintendent of Banking may take immediate charge of the company, pending the appointment of a Receiver. A trust company may place itself in the hands of the Superintendent of Banking by posting notice, and a voluntary general assignment is forbidden.

Reports to the Superintendent, in a form prescribed in the statute and by the Superintendent, must be made upon his call at least twice each year, and oftener at his discretion. Such statements must be published in a local newspaper, and must be posted in the banking house.

Trust companies may not loan to any one individual, company or corporation an amount greater than twenty-five per centum of the capital stock; or of the capital stock and surplus if the latter is equal to or in excess of fifty per centum of the capital. The discount of bills of exchange drawn against actually existing values and the discount of paper upon the collateral security of warehouse receipts covering products in store under certain conditions, are not considered as money borrowed. Trust companies may not engage in trade or commerce. The directors may declare dividends, if earned, every six months or oftener, but must first set aside ten per centum of the net profits to a surplus fund, until the same amounts to fifty per centum of the capital.

Funds in the charge of trust companies may be invested in loans secured by real estate or other sufficient collateral security, in public bonds of the United States or of this State, in the bonds of any incorporated city or county or independent school district in this State. Such corporations may own only such real estate as is required for the transaction of their business, and such as is acquired in the collection of debts; but the latter may not be retained more than five years. Stockholders

Digitized by Google

are subject to double liability. The books and records of such corporations must be kept open for the inspection of all persons interested. Trust companies having a capital of at least $100,000, and making a deposit of $50,000 with the State Treasurer shall be permitted to qualify as guardian, curator, executor, etc., without giving bond as such. Such deposit shall consist of cash, Treasury notes of the United States, or Government, State, county, municipal or other bond or bonds, notes or debentures, secured by first mortgages or deeds of trust, or mortgages or deeds of trust, or unincumbered real estate in the State worth at least double the amount loaned thereon, or such other first-class securities as the Superintendent of Banking may approve. This deposit shall be primarily liable for the obligations of such company acting in fiduciary capacities, "and shall not be liable for any other debt or obligation of the company until all trust liabilities have been discharged."

Trust companies already in existence may avail themselves of the provisions of this act, provided that they thereby waive the powers granted by their charters and derive their sole powers under the terms of this act. Corporations not organized under this act are forbidden to use the words "trust" or "trust company" in their titles; except that corporations already organized and authorized to use such terms in their titles may retain same by using thereafter the words "without banking privileges." Foreign corporations, other than National banks, are forbidden to do a business of banking and discount in this State.

Every banking corporation is required to maintain a reserve of at least twenty-five per centum of the aggregate amount of its demand deposits, ten per centum of which is to be actual cash in the bank. The reserve fund or any part thereof may be kept on hand or on demand deposit in any bank or banking association in the State of Texas or in any bank, banking association or trust company in another State approved by the Superintendent of Banking and having a paid-up capital of $50,000 or more; but the deposits in any one bank or trust company shall not exceed twenty per centum of the total deposits, capital and surplus of said bank.

(Laws of First Called Session, 1905, chapter 10 [page 489]; Laws of 1907, chapter 37).

UTAH.

"Loan, trust and guaranty associations" may be incorporated by three or more persons in the same manner as other corporations for pecuniary profit; and are governed by the provisions of chapters 1 and 2, title 2, concerning corporations, except as in this chapter otherwise provided.

Powers specified: To do a title insurance business; to act as assignees, agents, receivers, guardians of the estates of minors and incompetent persons, to act as executors and administrators; "to execute trusts of every description not inconsistent with law"; to become sole security in cases where by law one or more sureties may be required; "to buy, sell

Digitized by Google

or mortgage real estate or personal property, to loan money on real estate security or otherwise, to sell and assign mortgages and endorse negotiable instruments, and to make, execute and deliver bonds, promissory notes and bills of exchange"; to receive deposits of money; provided that, if such associations shall receive commercial or savings deposits, the liability of stockholders and the restrictions concerning the lending of its funds shall be the same as those for commercial or Savings banks respectively; to act as security for the faithful performance of any contract; to do a fidelity insurance business; but nothing in this chapter shall be construed as dispensing with the approval of such association as security by the court, officer or individual charged by law with the duty of approving such security. When acting under fiduciary appointments the capital of the corporation shall be held as security for the faithful performance of duty, and no bond for such purpose shall be required of it. The capital, paid up, must be at least $25,000, and in cities of the first class at least $100,000. The capital must be kept in money on hand, or on deposit in solvent banks, or invested in bonds of the United States or of this State, or of any county, municipality or school district thereof, or in first mortgages on real estate situated in Utah, worth at least twice the amount loaned thereon. Such corporations are under the same provisions regarding reports as banking corporations. They must make to the Secretary of State not less than four reports each year, according to the form prescribed by him, and on his call. The Secretary has power to call for special reports. If satisfied that a company is insolvent, the Secretary may, through the Attorney-General, apply to the district court for the appointment of a receiver.

(Statutes, title 2, chapter 6, §§ 423-430; chapter 2, §§ 388-391; chapters 1 and 2, *passim;* Laws of 1905, chapter 75).

VERMONT.

Trust companies are incorporated only by special acts of the Legislature. The general laws regulating and restricting trust companies are quite numerous, most of them applying to Savings banks as well as trust companies, the two classes of institutions being placed under much the same regulations. The officers must be sworn to the faithful performance of their duties, and the amount of bond required of the Treasurer is specified in the statutes. Such companies must make an annual report as of June 30, to the Inspector of Finance. The items to be covered in the reports are set forth in the statutes, and are very full. When deposits are made in trust, the name and residence of the person for whom the deposit is made must be disclosed. Minors are entitled to control of deposits made by them. Provision is made for the report of all accounts inactive for ten years. In 1898, and every fifth year thereafter, the pass books must be called in and be verified and be examined by an outsider approved by the Inspector of Finance. No investment of the capital, sur-

Digitized by Google

plus and deposits may be made in mortgages, except in first mortgages on unincumbered real estate to an amount not greater than three-fifths of the cash value thereof, and not over two-fifths if the property be unimproved or unproductive. Not less than one-sixth of the amount of such mortgages shall be upon real estate in this State, and not more than eighty per centum of the assets shall be invested in mortgages; provided that not more than sixty per centum of such assets shall be invested in mortgages on real estate outside of this State. No mortgage investments may be made except on the written approval of three of the trustees or of the members of the board of investment. Five per centum of the deposits may be invested in a lot and building, and part of the premises may be rented for revenue. No loans or investments on personal security may be made except upon at least two approved names, not less than two of whom reside in the State or within fifty miles of the office of the company, or upon notes or accepted drafts from parties without the State for goods manufactured within the State and payable to parties in the State. Such loans may not be for more than one year. Not over one-third of the assets may be invested in personal securities. The statutes provide that, with the foregoing exceptions, deposits may be invested "only as follows"; then is given in much detail a list of securities, which include United States bonds, municipal bonds of specified States, National bank stocks in certain States and cities, banks and trust companies in Vermont, school district bonds in certain States, State bonds, and notes with any of the foregoing as collateral. But the company shall not hold, either as investments or as collateral, more than ten per centum of the capital of any one bank, nor invest more than ten per centum of its deposits or more than $35,000 of its deposits in the stock of any one bank. And all such investments and loans may not exceed one-fourth of its deposits. It shall not loan to any one person, firm or corporation more than five per centum of its deposits, nor more than $30,000; nor shall such loans be greater than $10,000 until the deposits equal $1,000,000; after which the loans may be increased one per centum of the deposits in excess of $1,000,000. "But this section shall not apply to United States bonds or municipal bonds, or to notes with such bonds as collateral." No loans may be made to officers, directors or employees without the written consent of a majority of the directors, and then not to an amount greater than five per centum of the paid capital, *bona fide* discounts and loans on certain specified collateral excepted. The company may not loan on its own stock as collateral.

The stockholders are subject to double liability. Trust companies may deposit on calls with banks, banking associations or trust companies in Vermont, or in New York, Boston, Chicago, Albany, Philadelphia or Concord, N. H., or in any other legal designated depositary under the laws of the United States, or in National banks in St. Paul, Minneapolis and Kansas City, with or without interest, sums not exceeding in the aggregate twenty per centum of their assets. They may hold real estate

Digitized by Google

acquired by foreclosure or in settlement of debts due them; but such real estate must be sold as soon as a reasonable price can be obtained, and at any rate within five years; and the Inspector of Finance may at any time order the sale within ninety days of particular pieces of such real estate. The Inspector of Finance must examine such companies annually or oftener. If the Treasurer or a Cashier of a trust company is also an officer of a National bank, or if the latter is in the same office or building, the Inspector of Finance shall examine such trust company annually at the same time as the United States Examiner examines the National bank. If unsafe conditions are revealed, he shall proceed against the company as if it were insolvent. The powers and restrictions of all trust companies are enlarged or abridged to conform to this chapter, their charters to the contrary notwithstanding.

A trust company must pay to the State Treasurer in semi-annual instalments in February and August, a tax at the rate of seven-tenths of one per centum annually upon the average amount of its deposits, including money or securities received as trustee under order of court or otherwise, deducting therefrom the average amount, if any, of its capital and accumulations invested in United States bonds, and the amount, if any, of individual deposits in excess of $2,000 each, listed to the depositors in towns of this State where such depositors reside. No other taxes shall be assessed against deposits or depositors on account thereof, except on individual deposits exceeding in the aggregate $1,500.

Any trust company incorporated in this State may act as administrator, executor, receiver, assignee, trustee, guardian of any person, subject to guardianship, "under the same circumstances, in the same manner, and subject to the same control by the court having jurisdiction, as in the case of a natural person legally qualified." The capital, surplus and stockholders' liability are held as security for the faithful performance of duties of this character, and no surety shall be required upon bonds filed by the company, unless required by the court. Trust property and moneys must be kept separate from the assets of the company, and are not liable for its debts. In addition to the examinations above-mentioned, the Inspector of Finance may make such further examinations as he sees fit, and must make them when requested by the court having jurisdiction.

(Revised Statutes, 1894, §§ 4067-4131, *passim;* §§ 583 and 584. Acts 1896, Nos. 17 and 80; Acts 1900, Nos. 53 and 54; Acts 1902, No. 72; Acts 1904, Nos. 98 and 99; Acts 1905, No. 100; Acts 1906, Nos. 28, 128 and 129).

VIRGINIA.

Trust companies in this State are incorporated by special acts of the Legislature, the special charters so granted specifying their powers and limitations. There are very few general statutes relating to such companies, and these apply mainly to foreign companies. "No guaranty,

Digitized by Google

trust, indemnity, fidelity or other company, having for its purpose to become security for the faithful performance of any trust or to become fiduciary," shall do business in this State until it complies with this act. It must appoint and maintain an agent residing in Richmond, upon whom process can be served. Every foreign company must give bond to the Auditor of Public Accounts, with two or more sureties to be approved by him, in a sum not less than $1,000 nor more than $5,000, with conditions to make returns and pay taxes. Both foreign and domestic companies shall deliver, under oath, to the Treasurer of State, a statement of the amount of the capital stock, and deposit with him bonds of the State of Virginia, or of the United States, or bonds of the cities of Richmond, Petersburg, Lynchburg, Norfolk, Portsmouth, Roanoke, Alexandria, Danville or Newport News, to an amount equal to five per centum of said capital, assigned to him in trust; but the cash values of same need not be greater than $25,000, and may not be less than $12,500. The company gets the income of these securities so long as it meets its trust obligations, and may substitute other similar securities from time to time. The resident agent of the company must deposit with the Auditor of Public Accounts a copy of the company's charter, a statement of its capital and manner of its investment, etc., and must annually render to him a statement which must be published in a Richmond newspaper. The auditor must annually examine these statements. He may also at any time examine into the affairs of "any company incorporated by, or doing business in, this State." If unsafe conditions are revealed, he may revoke the certificate of authority issued to the company, and publish such action.

(Code 1904, title 18, chapter 53, section 1286c, pages 646-651).

Washington.

Three or more persons may incorporate a trust company. The name of the company must contain the word "trust," and other corporations are forbidden to use the word in their titles. Capital required: $10,000 in towns of less than 1000 inhabitants; $15,000 in towns of from 1000 to 2000; $20,000 in towns of from 2000 to 3000; $25,000 in towns of from 3000 to 5000; $30,000 in cities of from 5000 to 10,000; $50,000 in cities of from 10,000 to 25,000; $75,000 in cities of from 25,000 to 50,000; $100,000 in larger cities. Existing companies may continue with capital required under the old law. At least 50 per centum of the capital must be paid in at the start and the balance at the rate of 10 per centum a month until fully paid. Stockholders are subject to double liability.

The holding of real estate is limited in practically the same way as that of National banks. Such as is not needed for the business may not be held as an asset over three years. Before declaring dividends, one-tenth of the net profits must be carried to surplus until the latter equals

Digitized by Google

20 per centum of the capital. Checks may not be certified unless the necessary funds are on deposit. Trust companies must carry a reserve of 20 per centum of demand liabilities. Payment on joint accounts of not over $300 may be made to either party, whether the other is alive or not. In December of each year a report must be made of all deposits that have been unclaimed for ten years, unless the Secretary or Cashier knows the depositor to be living.

Powers specified: to act as fiscal or transfer agent or registrar, and as agent for any corporation, foreign or domestic, for any purpose required by statute or otherwise; to receive deposits of trust moneys, securities and other personal property from persons or corporations; to loan money on real or personal securities; to discount and negotiate promissory notes, drafts, bills of exchange and other evidences of debt; to buy, sell and exchange coin and bullion; to hold all real estate necessary for, and convenient in, the transaction of its business, or which the purposes of the corporation may require, and such as is required in satisfaction of debts due to it; to act as trustee under mortgages and bond issues, "and to accept and execute any other municipal or corporate trust not inconsistent with the laws of this State"; to execute trusts for married women in respect to their separate property, and to act as agent in the management of same or in business relative thereto; to act as guardian, receiver or trustee of the estate of any minor, and as depositary of any moneys paid into court; to execute any legal trusts and powers regarding the management of any estate, real or personal, confided to it by any court of record, person, corporation, municipality or other authority, and to hold property that may be the subject of any such trust; to purchase, invest in and sell stocks, promissory notes, bills of exchange, bonds, debentures and mortgages and other securities; to issue its bonds or obligations for money borrowed or received on deposit or for investment; to act as assignee or trustee under an assignment, or as receiver; to act as executor, trustee under will, administrator, or guardian of the estate of lunatics, idiots, persons of unsound mind and habitual drunkards; to do a safe deposit business; to do a title insurance business, but not if the company does a banking business; to collect income on securities as agent; to receive and manage a sinking fund for any corporation; "generally to execute trusts of every description not inconsistent with the laws of this State or of the United States"; to receive money on deposit, subject to check or otherwise, with or without interest.

The affairs of every such corporation shall be managed by a board of directors, not less than three in number, each of whom must own five shares of stock. Trust companies may not loan to their officers, stockholders or employees from trust funds, and any loans to them must first be approved by a majority of the directors and be entered on the records. Directors who knowingly permit a violation of this are individually liable for damages. Trust companies may not loan on the security of their own stock, nor purchase same except to prevent loss on a debt previously

Digitized by Google

contracted in good faith. They must make to the State Examiner not less than three reports each year, according to forms which may be prescribed by him; such reports to be rendered as of past day specified by the Examiner, which days shall correspond with those on which national bank statements are called for. An abstract of the reports must be published in a local newspaper. The Examiner may call for special reports at his discretion. Trust companies are subject to the inspection and supervision of the State Examiner, and it is his duty to examine them at least once a year without previous notice. If unsafe conditions are found, he must notify the Attorney-General, and may take immediate possession of the company pending the proceedings instituted by the Attorney-General, or until a receiver is appointed. Deposits made by minors and married women are subject to their control.

(Pierce's Washington Code 1905, §§7225-7225r, 7226-7226d. Laws of 1907, chapters 22, 37, 80, 126, 225. Corporation Laws, §§194-210.)

West Virginia.

Trust companies are organized according to provisions of the general incorporation laws, and governed by the provisions of the "Title and Trust Company" law.

Powers specified: To do a title insurance business; to buy, sell, hold and guarantee bonds, stocks, loans and evidences of indebtedness, and to make and execute contracts and agreements required therefor; to engage in a general banking business, with all the incidental powers necessary thereto; as to such banking business, trust companies are subject to the banking laws, except that there shall be no limit to the maximum of paid-up capital that such companies may have; to do a safe deposit business: to act as trustee, assignee, receiver (general or special), guardian, executor, administrator, special commissioner, committee or curator; to execute trusts of every description not inconsistent with the constitution of this State or of the United States; to receive deposits of money or other personal property, and issue its obligations therefor; to invest its funds in and to purchase real and personal securities, and to loan money on real and personal securities; to act as fiscal or transfer agent or registrar; to purchase and sell or take charge of real estate for other persons, firms or corporations; for the purpose of indemnifying and saving harmless any company for making any loans, or accommodations, such company is authorized to receive and hold on deposit and in trust, as security, estates, real and personal, including the notes, bonds and obligations of States, counties or municipal corporations, individuals, firms or corporations, and the same to purchase, collect and adjust, settle and dispose of, in case of default upon any note or obligation for which such property has been received as indemnity, or as collateral security, without proceedings at law or in equity. Courts appointing such companies to trusts may, in their discretion, on the application of any persons interested, investigate the affairs of trust companies so ap-

Digitized by Google

pointed. Trust funds and investments must be kept separate from the assets of the company, and all investments made by the company as fiduciary must be so designated as to show to what trusts they belong. The capital of such companies shall be taken and considered as the sole security required by law for the faithful performance of duties in trust capacities; provided, that, where the liability of the company in any trust capacity equals or exceeds the capital and surplus, the court making such appointment, or order or decree, shall require additional security.

The capital of such companies must be at least $100,000 fully paid. Such companies shall not act as surety on bonds, or do a fidelity insurance business, except as above specified.

Institutions not regularly organized and chartered as trust companies are forbidden to use in connection with their business the term "trust company." Stockholders are subject to double liability. Every director must absolutely own at least five shares of stock. Trust companies are specifically made subject to the banking laws. They may not begin business until they have obtained a certificate of authority from the Commissioner of Banking. The Commissioner must make a thorough examination of each company at least once a year. Loans may not be made upon the security of the company's own stock to an amount in excess of fifty per centum of the capital, nor may such stock be purchased or held except to prevent loss upon debts previously contracted in good faith; and in the latter case the stock must be sold within six months. Loans to one party, except bona fide discounts, may not exceed twenty per centum of the capital. Before the declaration of a dividend one-tenth of the net profits must be carried to surplus until the latter equals twenty per centum of the capital. Lists of stockholders with their addresses and holdings must be kept, which shall be open to inspection during business hours by all stockholders, creditors and by the State tax authorities. A copy of this list shall be forwarded to the Commissioner on the first Monday of July of each year. All companies are required to maintain a reserve of fifteen per centum of all deposits subject to withdrawal on demand, of which three-fifths may consist of balances payable on demand due from any national or State bank (including trust companies) in the State or any solvent banks outside the State that may be approved by the supervisor in said State.

Reports to the Commissioner of Banking must be made at least four times a year, "corresponding as to time as nearly as possible to the calls made by the Comptroller of the Currency," according to forms prescribed by him, and such reports must be published in local papers. Special reports may be called for and special examinations may be made by the Commissioner at his discretion.

Foreign trust companies may do business in the State by complying with certain regulations and getting a certificate of authority from the Commissioner.

Digitized by Google

(Acts of 1901, chapters 83 and 85; Acts of 1903, chapter 7; Acts of 1905, chapter 45; Act passed February 19, 1907.)

WISCONSIN.

Five or more persons may incorporate "as a trust, annuity, guaranty, safe deposit and security company." All but companies regularly incorporated for the purpose are forbidden to use the words "trust, annuity or guaranty company" in titles, or other words designed to indicate that they do a trust business. Capital required, not less than $50,000 in cities of less than 100,000 population, and not less than $100,000 in larger cities. Maximum limit, $5,000,000. Fifty thousand dollars must be paid in before beginning business, and the balance within six months. All the general provisions of chapters 86 and 87 relating to corporations apply to such companies. Within six months after beginning business, such companies shall deposit with the State Treasurer not less than fifty per centum of the capital nor more than $100,000 in amount. Such deposit shall be in cash, bonds or mortgages, or notes and mortgages on unincumbered real estate within this State worth double the amount secured thereby, or public stocks and bonds of the United States or of any State of the United States that has not defaulted on its principal or interest within ten years, or of any county, town, village or city in this State, and upon all which bonds and other securities there shall have been no default in the payment of interest or principal for a longer period than thirty days. The securities must be approved by the Commissioner of Banking. This deposit shall be held as security for the depositors and creditors of said corporation, and for the faithful performance of the trusts undertaken by it. Other securities may be substituted from time to time; and the company shall receive the income of the securities. Such companies shall be managed by a board of five or more directors, each of whom must own ten shares of stock.

Their specified powers are: to receive, hold or dispose of any property, real or personal, conveyed to them upon any trust, by any persons, including married women, minors, bodies corporate or any court, and to execute any trusts regarding same; to act as agents for the transaction of business, management of estates, collection of income or principal, etc.; to act as registrar, fiscal or transfer agent; to act as executor, administrator, trustee, receiver, assignee, guardian of minors, persons insane or incompetent, lunatics, or any persons subject to guardianship; courts are authorized to make such appointments; no security shall be required of the company other than the deposit with the State, except in the discretion of the court; to loan on real or personal security; to do a safe deposit business; to act as surety for fiduciaries; to exercise all of the powers usually exercised by trust companies. Such companies are forbidden to buy or sell bank exchange or do a banking business. Married women and minors may control their deposits. Such companies

Digitized by Google

may hold real estate needed to carry on their business and execute trusts committed to them, and such as may be necessary in the enforcement of claims, etc. Trust funds may be invested in the same classes of securities as those in which the deposit with the State Treasurer may be invested, or in such real or personal securities as the directors may deem proper. Trust companies must, on or before March 1 of each year, pay to the State Treasurer a license fee of $300; and in addition a tax of two per centum on their net income during the calendar year preceding. Such payment shall be in lieu of all other taxes, except upon real estate owned by the company. Trust companies are under the supervision of the State Banking Department, to whom they must make at least three reports each year. The reports must be published in local papers. The Commissioner of Banking must examine each company at least once a year. If the company is connected with a national bank, the examination must, if possible, be held at the same time that the examination of the national bank is made by federal authorities. Any officer, director or employee who makes a false statement or a false entry in the books or knowingly subscribes to or exhibits false papers with intent to deceive the examiner, or who publishes a false report, return or statement, shall be fined from $1,000 to $5,000, or imprisoned in the State penitentiary from one to ten years, or both.

(Sanborn & Berryman's Wisconsin Statutes, Supplement 1906, §§ 1791d-1791i5. Laws of 1905, Chapter 504.)

WYOMING.

Loan and trust companies may be incorporated by five or more persons. The capital, which "must be subscribed for as full-paid stock," must be at least $10,000 in towns of less than 2,000 inhabitants; at least $25,000 in towns from 2,000 to 4,000 inhabitants; at least $50,000 in towns of from 4,000 to 6,000 inhabitants; and at least $100,000 in cities of over 6,000 inhabitants. Fifty per centum of the capital must be paid in before commencing business, and the balance within six months. The shares must be $100 each.

Powers specified: to exercise the ordinary powers of corporations; to buy, sell and discount bills of exchange, notes and all other evidences of debt, buy and sell gold and silver coin and bullion, receive deposits and pay out same either upon order or check; to "execute any trusts which may be created by instruments in writing; such instrument may appoint such association trustee for any lawful purpose, and to act as such trustee in all matters embraced in such trust;" to do a safe deposit business; to collect income of securities left for safe keeping; to execute and issue in the transaction of its business all necessary receipts, bonds and contracts. Such companies may hold such real estate as is necessary to carry on their business, as well as such as is acquired in the settlement of claims. The board of directors is authorized to invest the capi-

Digitized by Google

tal and such money as is received from persons or associations for investment, "in good securities; and it shall be lawful for such association to make investments of its capital and of funds accumulated by its business, and moneys received from other persons and associations, for investment as aforesaid, or any part thereof, in bonds and mortgages on unincumbered real estate and chattel property worth at least double the amount loaned, and also in any and all warrants and bonds of this State or any other State or Territory or of the United States, or the bonds and warrants of any county, city, town, or school district of this State legally authorized to issue such warrants or bonds."

Such companies must maintain a reserve of twenty-five per centum of their liabilities to depositors, which reserve shall consist of cash on hand or on demand deposit with State or National banks approved by the State Examiner as reserve agents. Such a corporation may mortgage its real or personal property and pledge or hypothecate its notes, mortgages and other securities, and guarantee payment of the same, to persons or corporations furnishing it money. Stockholders are subject to double liability. A section of the statutes which forbade such companies to receive deposits subject to check, and to buy commercial paper, etc., was repealed in 1903.

(Revised Statutes, 1899, division 2, title 4, chapter 2, §§ 3085, 3086, 3128-3139. Laws of 1903, page 59, Act of February 20, 1903. Laws of 1905, chapter 78; Laws of 1907, chapter 78.)

Digitized by Google

CHAPTER VI.

ORGANIZATION OF THE WORKING FORCE.

IT is difficult to find two trust companies the scope of whose business is exactly the same; and because of this fact, and because these institutions are still in the formative period, the plans under which the working forces of trust companies are organized are nearly as numerous as the companies themselves. There is some variety in the titles given to different officers and employees, and great variety in the duties which such officers and employees are called upon to perform. It is therefore quite out of the question to treat the subject as one might write of banks, where the names given the several workers, and the duties which they perform, are, within certain limits, pretty well defined. The average trust company worker, outside of the banking department, is usually called upon to do service of a more varied nature than that of the average bank employee.

The organization of the working force depends, in the first instance, upon the character and amount of the company's business. If it is practically a bank operating under the name of a trust company, as is often the case, its working force will be organized in a manner differing little from that of an ordinary bank. Its active head, where the President or a Vice-President is not an active official, is apt to be called the Secretary and Treasurer, or the Treasurer, rather than the Cashier; although the latter title is frequently used in the South and in the West. Where the business of the company is large and diversified, requiring a considerable number of officers, the titles most commonly given are President, Vice-Presidents, Treasurer, Secretary (or Secretary and Treasurer), Assistant Secretaries and Assistant Treasurers. Among other titles found are Attorney, Trust Officer, Auditor, Advertising Manager, Manager of the Bond Department, Manager of the Safe-Deposit Department, and Manager of the Real Estate Department.

Duties of the Various Officers.

The titles given trust company officials do not necessarily convey any idea of their duties. While the President is sometimes the active head of the company, he is more often not active, devoting to the company's affairs only so much time as is necessary to preside at directors' meetings, serve on certain committees, and act in an advisory capacity. In such case, the active management devolves sometimes upon a Vice-President, sometimes upon the Treasurer, occasionally upon the Secretary, but most often upon the Secretary and Treasurer. Where the Secretary and the Treasurer are not the same man, the duties of the Treasurer are apt to be connected with the banking department, and those of the Secretary

Digitized by Google

with the trust department, but instances are numerous where no attention is paid to titles in the assignment of the duties of the different officers. The titles of other officers, like that of Trust Officer, are more descriptive of their duties.

The accompanying chart is designed to show the general organization of the working force of a trust company doing a considerable business in trust, banking and kindred lines of business. It represents no particular company, but the attempt has been made to incorporate the arrangements most common among a number of companies examined, the type of company represented being that in the large cities of the Middle States. Of course the various lines of work will be combined so as to be done by fewer workers if the company be smaller than the one for which the chart is designed, and will be distributed among more workers if the company be larger. The assignment of responsibilities among the Assistant Secretaries and Treasurers is purely arbitrary, and in a given company may be quite different from that shown in the chart; such assignments usually and properly depending more upon the personal fitness and experience of the various officers than upon their titles. A newly-organized company is apt to pay more attention to the relationship of titles and duties than an old company, where the different men have grown to their titles, their duties having been well established before the titles were given.

Reading horizontally, the arrangement of the chart is designed to show the superior officer to whom each worker is responsible. Reading vertically, no effort has been made to show the relative standing of the officers and employees. Thus, each worker in the column beginning "Assistant Treasurer" is responsible directly to the Secretary and Treasurer. Reading horizontally, one may see the special department of which each officer or worker is in charge, and the various employees who report directly to him. The question as to which of the under officers is in direct line of promotion depends upon the man rather than upon the position.

Whatever title be given the official who has active charge of the company, he is the man who is immediately responsible to the directors, and through them to the stockholders, for the general conduct of the institution. Upon his shoulders rests the general supervision of the affairs of the company; to him the lesser officials report, and under his general direction they administer the business of their several departments. Matters of detail are as a rule not brought to his attention, but his strength and time should be reserved for the consideration and determination of general policies. He is, of course, the one upon whom rests the responsibility for the safe and profitable investment of the funds of the company and of the funds which the company holds in trust. Such investments, however, especially those of trust funds, are not usually made upon his sole responsibility, but are determined by an investment committee, of which he is the most influential member. The laws of many of the States

Digitized by Google

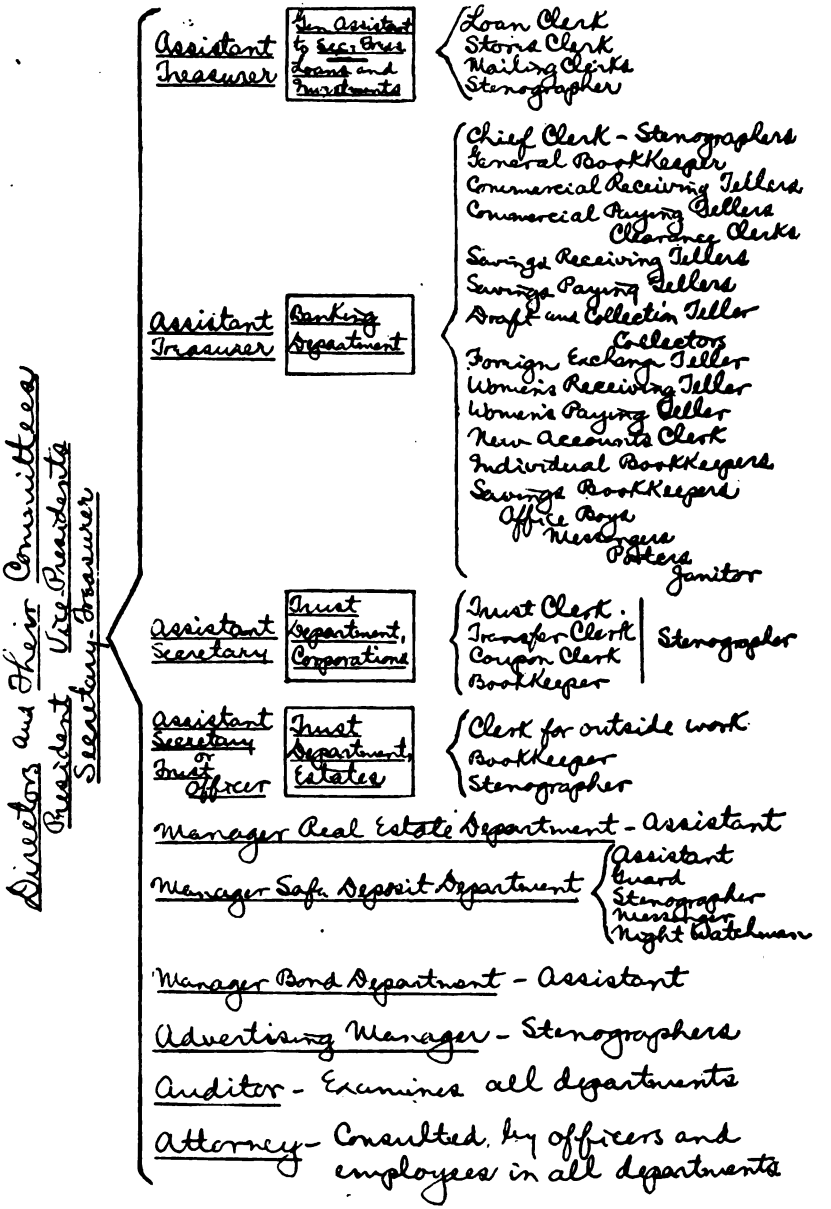


Chart D, showing the organization of the working force of a trust company.

Digitized by Google

prescribe the classes of investments permitted for trust funds, and for the general funds of the trust companies; and within the limits allowed by law, many companies by by-law or resolution of the board of directors prescribe the classes of investments in which their different funds shall be placed. These limitations, if wisely made, tend towards safety and lessen the responsibility of the chief executive of the company. If unwisely made, their effect is quite the reverse. In the matter of loans, the chief executive is usually the man who decides, but the loans made are regularly and frequently reported to the finance committee or executive committee, by whom large loans are ordinarily authorized in advance. This officer is responsible for the records of the directors' meetings, and of the meetings of the executive committee.

In a large institution the Secretary-Treasurer will hardly have time and strength to look after all the general executive work of the company, and another officer is apt to be named to act as his general assistant. In the chart this officer is an Assistant Treasurer. He decides those matters of general management with which he thinks it unnecessary to trouble the Secretary-Treasurer. He has charge of the general correspondence, himself dictating such letters as he sees fit, and distributing, through an office boy, the other letters to the heads of the various departments. He has general charge of the loans, carrying out the orders of the executive committee, and taking a varying amount of responsibility in decisions on loans of small amounts. He has charge of the collaterals given for loans, and of the investments made by the company; a frequent arrangement being that he shall have access to the latter only in company with another officer or trusted employee. Upon him rests the responsibility of seeing that coupons and other forms of income on investments are collected at maturity. He approves and initials expense vouchers, exercises general supervision over the expenditures of the company, and places orders for supplies needed as such needs are reported to him by the Stores Clerk.

The Loan Clerk has direct charge of the details involved in the handling of loans. Through his window he meets the customers whose applications for loans have been approved, sees that their notes are properly made out, signed, endorsed, etc.; that they are accompanied by the proper collateral, if collateral loans, and that such collateral is correctly transferred to the company; and, if mortgage loans, that the mortgage is in correct form and accompanied by an abstract of title or title insurance policy correctly describing the property and showing clear title, and by insurance policies properly assigned, if needed. He figures interest, sends notices of and collects same. He receives payments on loans, either partial or complete, and endorses same on the notes or cancels and delivers the notes. He keeps records showing all necessary information regarding the loans, including the balance on each loan and the interest payments. He keeps line cards or records, showing the total loaned on each particular collateral, and keeps track of daily quotations

Digitized by Google

on stocks and bonds held as collateral, to notify his superior officer if same decline in price to an extent that makes them poor security for the loans. He receives written applications for loans from those who do not see an officer in person regarding same. Sometimes he is given a limited amount of discretion in making loans to designated parties within specified limits or upon stated collateral. At the close of the day, or at convenient times during the day, his figures are turned over to the General Bookkeeper. In his work he has one or more assistants, including a Stenographer.

If the company handles discounts, there is sometimes a Discount Clerk who looks after the details of such loans, though if the amount be small, such loans can be handled by the Loan Clerk.

The Stores Clerk is in charge of the various supplies, books and stationery needed by the employees and officers of the company. His duty is to see that a sufficient supply of each article is always on hand, which requires, of course, a careful system of keeping track of the amounts on hand of the different articles. Supplies are distributed to the different workers on requisitions initialed by the Assistant Treasurer, by whom also orders for supplies are placed as their need is reported to him by the Stores Clerk. In a large company the value of the supplies handled by this clerk in a year amounts to a good many thousands of dollars. This clerk is sometimes in charge of the expense vouchers, filling out the vouchers after seeing that the bills are correct, handing same to the Assistant Treasurer for his "O K," and sending them to the payees. He keeps an expense book showing the distribution of expenditures.

The Mailing Clerks are charged with the duty of seeing that all outgoing mail is in proper shape: that each letter is signed and enclosed in the proper envelope correctly addressed, sealed, stamped and placed in the post office. During part of the day they are assigned to special tasks in the different departments of the company.

An Assistant Treasurer has general charge of the banking department, aside from the loans. Save in the matter of loans, his duties are much the same as those of the Cashier of a bank so far as the supervision of the practical work is concerned. He sees that the different workers in the department perform their work satisfactorily; keeps track of the reserve and balances with correspondents; meets customers, oversees the opening of new accounts; adjusts differences; attends to the correspondence of the banking department; signs drafts, decides questions of signatures, overdrafts, identification, etc., and looks after numerous other matters that come up daily. This officer, with the assistance of the Chief Clerk, is usually charged with the duty of detailing men to fill temporary vacancies due to sickness, vacations, etc., both in his own and other departments. The banking department is divided into two parts, one of which handles commercial accounts, and the other savings accounts.

Digitized by Google

The Chief Clerk acts as general assistant in the banking department. While he has some stated duties, his time is largely occupied in attending to special matters assigned to him from time to time. He is a man of all-around ability and experience, who can step in to fill any position in the department in an emergency. He looks after matters of detail in the relations of the different departments one with another.

The General Bookkeeper keeps the general books of the banking department and the records of investments, and also acts as general bookkeeper for the whole institution to the extent of recording the earnings and expenses of the several departments. Aside from these items, each department keeps its own books. The General Bookkeeper prepares the daily statement and reports based on his books, which together with the reports of the other departments are laid before the Secretary and Treasurer each morning.

The Commercial Receiving Tellers and the Commercial Paying Tellers perform the duties usually devolving upon such workers, receiving deposits and paying checks for customers, and attending to kindred duties. One of the Paying Tellers has charge of the cash, and locks and unlocks the safes in which it is kept. The Savings Receiving Tellers and the Savings Paying Tellers respectively receive deposits from and make payments to the holders of savings pass-books.

Progressive trust companies have separate tellers to handle the business of women customers. The duties of these tellers are the same as those of the corresponding tellers in the men's department.

The Draft and Collection Teller issues drafts on New York and other correspondents, has charge of collections, and makes remittances for the company. The Collectors work under his direction, receive from him each morning the items to be collected for the day, and after making their rounds hand him the proceeds of paid collections and return those unpaid.

The Foreign Exchange Teller issues foreign drafts, travellers' checks and letters of credit. If the business in this line be small, it is attended to by the Draft Teller; while, on the other hand, some companies have so large a business in this line as to justify the maintenance of a separate department, with several employees.

Many companies have a clerk called the New Accounts Clerk, who attends to the details of opening new accounts, under the direction of the officer in charge of the department.

The Individual Bookkeepers keep the accounts of customers in the commercial department, and the Savings Bookkeepers the accounts of customers in the savings department.

The Clearance Clerks have charge of items for the clearing-house, which they collect from the various tellers, arrange according to the banks on which they are drawn, and take to the clearing-house. They also bring and assist in looking over the incoming clearing. They usually work under the direction of one of the Tellers.

Digitized by Google

The remaining employees in this department are Stenographers; Messengers, who carry money and securities to and from the bank, to express offices and elsewhere; Office Boys, who run errands, file letters and attend to various duties assigned to them. The Janitor and the Porters, though having to do with the whole institution, are most naturally classed with this department. The Porters stand at the doors to direct customers to the proper offices or windows, keep a watchful eye on persons passing in and out of the bank, and are on hand for any service demanded of them. Frequently the same persons act as Porters and as Messengers.

The Work of the Trust Department.

The trust department—which is semi-legal in the character of its work, and which is the department of specialties—is divided into two sub-departments, one of which devotes its attention to trust work involving the affairs of corporations, while the other is engaged in the handling of estates and probate business. Some companies make three departments by putting the work of transfer agent and registrar into the hands of a separate department.

One Assistant Secretary has charge of the corporations division of the trust department. If not a lawyer, he must at least have thorough familiarity with so much of commercial law as concerns his work, and he freely consults the company's attorney as occasion arises. There is great variety in the work of this department, and the duties to be attended to on one day or week may be of a character quite different from those of the succeeding day or week. Now they are the details attendant upon acting as trustee under a bond issue; the next task may be that of acting as assignee for a large concern, mercantile, manufacturing, banking or other; again they may concern the re-financing plans of a corporation, the handling of a bond pool or syndicate, the collection of assessments, or the distribution of proceeds, acting as depositary under escrow agreements, the duties of a receiver, acting as depositary for a sinking fund, depositary of stocks under voting trust agreements, the payment of coupons, the transfer and registering of stocks or the registering of bonds, and so on. The general direction of these and similar matters rests upon the officer in charge of the department. A Trust Clerk acts as his general assistant, handling the details, figuring assessments and distributions, keeping the department tickler, and so forth.

The Transfer Clerk attends to the transfer and registering of stock certificates, and the registering of bonds, keeps the records of same, furnishes certified lists of stockholders and attends to such other matters as occasion demands.

The Coupon Clerk pays coupons as they mature and are presented, cancels and arranges and keeps a record of them, and returns them with statements at regular intervals to the companies concerned. Sometimes he has charge of all incoming and outgoing registered mail and express

Digitized by Google

matter for the whole institution except the banking department, attending to valuation and insurance on outgoing matter and keeping a record of same.

The Trust Bookkeeper keeps the records of the department and looks after such special duties as are assigned to him.

The Stenographer of this department operates a book typewriter, with which he makes entries, dictated to him by the officer in charge, upon the trust register and other records.

One officer—perhaps the Trust Officer or an Assistant Secretary—has charge of that division of the trust department which handles estates and probate business. Like the officer in charge of the other division of the trust department, he needs to be familiar with the law as it concerns the work of his department. He confers with customers who wish to leave property in trust with the company, or to appoint the company agent or attorney-in-fact, or to name it executor or trustee under will, or trustee under agreements relating to life insurance, or who wish to employ the company to act for them in any capacity. His advice is sought and freely given to customers on various matters of semi-legal character regarding their estates. He has general charge of the estates in the keeping of the company, looking after them as he would after his own property. He confers with heirs and beneficiaries under trusts held by the company. It is largely through this department that the trust company develops that peculiar personal character that distinguishes it from the proverbial "soulless corporation." As guardian of the estates of minors and others, and in other capacities, the officer in charge of this department is often called upon to perform duties that bring him into close personal touch with customers.

It is a part of the duty of this officer to see that trust funds in the department are kept invested in ways that are safe and as profitable as safety will permit. Such investments are made upon the advice, either of a committee existing for the special purpose, or of the executive or finance committee of the company.

In some companies the Trust Officer is in charge of the whole trust department, the subdivisions of such department being under the charge of assistant trust officers.

An Outside Man in this department looks after the real property held in trust, rents the property, pays taxes, attends to repairs and improvements, assists in the negotiation of sales, visits courts to look up records and legal matters, and so on.

The Bookkeeper of the department keeps the books, in which a separate set is kept for each trust, as well as general figures showing the entire work of the department. He remits income to the beneficiaries of the various trusts as same is received or at stated intervals, has charge under the Trust Officer of the securities and papers belonging to each trust, collects coupons and other forms of income aside from the rents collected by the Outside Man, collects bonds and mortgages as they mature, keeps

Digitized by Google

the department tickler, renders statements to the courts and to others as required, etc. In this work he is assisted by the department Stenographer, who also takes dictation and attends to the correspondence.

The Manager of the Real Estate Department conducts for the company a general real estate agency business. His duties are similar to those of an ordinary high-grade real estate agent, being the purchase and sale of real estate and the renting of same, acting as agent in the handling of real property, the collection of rents, etc. Sometimes, with the advice of the executive committee, he buys property for the company, for the purpose of turning it over at a profit, either by sale in bulk or in allotments. Much of this business is of the same character as part of that done in the estates division of the trust department, and is frequently handled by that department, extra clerks being employed as needed.

The Safe-Deposit Department.

The Safe-Deposit Department is under the direct charge of a Manager. His duties involve the general supervision of his department, but as this does not require all of his time after the department is once established and put in running order, he devotes considerable time to working up new business and to seeing that his department is kept fully up to the times.

An assistant keeps the accounts, makes out the daily reports and assists in the handling of customers. He has charge of setting the time locks and opening the vaults. In the absence of the Manager, he rents boxes and space in the vaults. He keeps record of all visits made by customers to the vaults or boxes.

A guard admits customers to the department, keeps his eyes open and gives general assistance.

In large companies, a trusty man is needed to call for and deliver packages. Special wagons, either automobiles or drawn by horses, are provided for this purpose by the most progressive companies.

A Stenographer in the department takes dictation and attends to duties specially assigned.

While the Night Watchman belongs to the whole institution, his most responsible duties are in connection with this department.

The Manager of the Bond Department is engaged in the investigation, purchase and sale of municipal bonds and other high-grade securities, his department conducting practically the same business as a first-class bond house. He needs one or more clerks to assist in the work; but as his department is in close touch with portions of the trust department, the clerks of that department are often detailed to assist him.

The Advertising Manager is, as his title indicates, in charge of the company's advertising. The growth of the idea that banks, and particularly trust companies, may with dignity advertise and "hustle" for business, has been phenomenal, and has already reached the point where

Digitized by Google

these institutions are among the leading advertisers. Accordingly, the Advertising Manager of an enterprising company has an important mission to perform, and must be a man of experience in his line, of ideas and of industry in the pursuit of new and attractive ways of drawing public attention to his company. In his work he has the assistance of several stenographers, who prepare and maintain advertising lists and send out advertising matter.

Many companies now include in their regular force an Auditor, who gives his time to auditing all departments, preventing or detecting defalcations, seeing that the orders of the executive officers as to methods of work are carried out, suggesting to employees improvements in their work and devising improved forms, records and systems. He reports directly to the chief executive, or preferably to the Board of Directors, at regular intervals and whenever occasion demands.

An indispensable official in a trust company is an attorney, or firm of attorneys. Sometimes he devotes his whole time to the company, but more often there is a working agreement by which his services are at the disposal of any member of the working force, officers or employees, whenever needed. Some companies have an official known as the Office Attorney. Unless the Trust Officer or other official is an experienced attorney who is capable of passing upon legal or semi-legal questions which are apt to arise at any moment in the work of the trust department, it is of the utmost importance to have a competent attorney within easy reach. The duties of this official are, of course, mainly advisory.

Digitized by Google

CHAPTER VII.

FORMS AND RECORDS FOR THE TRUST DEPARTMENT.

IT is a trite but eminently correct remark to make regarding the books and records of any financial institution, that they ought to be as simple, clear and accurate as skill and experience can make them. The remark applies with special force to the books and records of the trust company, and especially to those of its trust department. Here is need of special care, because of the fiduciary nature of the business, because of the necessity of using the records as the basis of frequent reports to the beneficiaries of the various trusts and to the courts, because the history of business handled in trust for others ought to be complete and self-explanatory.

The wise trust department manager will therefore see to it that provision is made at the start for books and records that shall approach the golden mean between the two extremes of too great fullness of detail and the unnecessary labor and time required thereby, and of too little fullness and detail, resulting either in fatal omission of facts that may be of the utmost importance, or in the waste of much labor and time in the work of supplying the omitted information.

To attain to such an ideal set of books requires large experience and careful study, together with a liberal endowment of "common sense." The records will be inadequate if they do not contain a complete history of all the essential matters pertaining to the trust; they will be cumbersome and unwieldy if they contain more than such necessary information. Yet it is safer to err on the side of too great fullness, if one must err at all, and it is better for the forms for the records to contain blank spaces for details which the intelligent bookkeeper may omit at his discretion in particular cases, than to make no provision to suggest such details to the careless, lazy or incompetent worker.

The matter of simplicity and clearness is of the greatest importance from many standpoints. The books ought to be simple enough to be understood by any officer or intelligent employee of the company, without the necessity of special experience or explanation. This has been learned by costly experience in many institutions. The writer knows of one case in which a company had a set of books so complex that the man who regularly kept them was the only one in the company, officers included, who could interpret them without much study. When he was out for lunch or away for the day, it was necessary to await his return to ascertain the simplest facts regarding those accounts. The books were devised by an expert accountant, were perfect from the theoretical standpoint, and were beautifully arranged by the printer, but they required an expert to translate them, and were soon discarded. Similar experiences have been

Digitized by Google

met with by many companies, and there is a distinct trend towards simplicity by the older institutions.

Another consideration is that the bookkeeper on any particular set of books may at any time meet with accident or sickness which may occasion his long absence or death; and it is obviously important that another man be able to take his place without the necessity of a long course of training, or the making of numerous errors in starting the new work.

Where it can be afforded, it is of decided advantage to have the books specially prepared with printed headings for the various columns and spaces. To the man who works on the books daily, these headings may seem unnecessary; he knows what the various spaces are for without the labels. But it is not enough to have the books understood by the man who keeps them; they must be readily understandable by any intelligent person, so that the officers may know the state of things at a glance, and so that a new man may take up the work at any time. This proposition seems clear enough on its face, yet it is astonishing how little it is heeded by some institutions.

Because of the frequent reports required, it is of great advantage to have the records in such form that the stenographer may copy them on the typewriter just as they stand. This precaution saves a great amount of work and many errors.

There should be a general system of accounting, of which each book and record is a part, and through all of them should run a chain of entries that binds them together. This insures accuracy and prevents manipulation. The source of each entry should be readily ascertainable.

Some companies, especially where loose-leaf books are used, consider it of advantage to have all leaves of the same size, thus insuring uniformity in the sizes of all the books and records. This adds much to neatness and general appearance, and is often of convenience. If this is done, the size should be large enough for those records which need considerable space. This requires making some records larger than necessary, but the fault is not a bad one. The size used by one of the best companies is 15⅜ inches high by 13⅞ inches wide. This makes a book of convenient shape and size.

Use of Loose-Leaf Books and Cards.

The question of the use of loose-leaf books and records is one on which opinions differ, and the opinions for and against their use are often quite emphatic. That they are convenient is generally conceded. The essential objection urged against them is the ease with which leaves may be removed, and the records be changed or the leaves be lost. This objection is largely removed by the plan of having the keys to the books in the sole charge of one official or trusted clerk, who is held responsible for any irregularities due to removal of leaves. Where there is objection to the general use of loose-leaf records, they may be used only on ledgers and other secondary books, the books of original entry being bound in the

Digitized by Google

usual way. It argues much for the convenience and safety of the system that few cases are on record where a company has discarded loose-leaf books after having given them a trial.

The use of card records is open to much the same objections as the loose-leaf book, and its advantages are of the same kind, but more pronounced where adapted to the needs. The use of cards for various purposes is steadily growing, and in many institutions has entirely displaced books in some departments.

Of course the cash and securities should not be in the keeping of the ones who keep the records concerning them. Audits should be made at frequent and irregular intervals, and the cash and securities on hand must then agree with the amounts called for on the books kept by another.

However complete and carefully arranged the set of books may be, the matter of accuracy and care in their keeping depends upon the men who do the work day by day. The books of the trust department ought never, even for a day, to be in the charge of novices or incompetents. The best bookkeepers in the institution ought to be in charge of these books. They ought to be well paid and well treated. This is done in most of the best-managed institutions. In others there seems to be a lack of appreciation of the importance of such work. The writer knows of an instance in the metropolis of the country where an unusually competent and painstaking manager of the book-keeping department was informed that, as his department added nothing to the earnings of the company, its expenses must be kept down to the lowest possible figure! The shallowness of such an argument is obvious enough.

The number and kinds of books needed by the trust department depend upon the size of the company and the character of its business. Trust business necessarily accumulates slowly and usually requires years to reach considerable proportions. The greater part of the business of the average trust company, especially of the small and the new ones, is in the banking department, and what trust records are necessary may often be kept in the general ledger. In the following pages will be given descriptions of the books, records and forms required by companies doing considerable trust business. Many of these are not needed at all by the smaller companies, and often two or more of them may be combined in one book. There is such variety of business done by different companies that it is quite impossible to devise sets of books applicable to all, and each company is under the necessity of devising books suited to its individual needs. To what extent it is desirable to discount the future in a new company, and to provide at once sets of books in anticipation of a large and diversified trust business, will necessarily depend upon the individual prospects of the company.

Relation of the Trust Books to the General Books.

It is usual for the trust department (or departments) to keep separate records of its own work. For its cash it keeps an account with the bank-

Digitized by Google

ing department just as any customer would; and some companies keep bank accounts for some of their trust funds with other trust companies or banks. Only the totals of such accounts appear on the general or individual books of the company. For example, if at any time the trust department has on hand $300,000 in cash, accumulated or awaiting investment, such sum appears on the books of the banking department as a deposit to the credit of the trust department. Regarding the details of this deposit the banking department has no more to do than with the details of the deposit of any customer.

The Trust Register.

When a new trust is taken on by the company, the first book in which record needs to be made is the trust register or register of trusts. The purpose of this book is to give a list of the trusts held by the company, together with a concise history of each trust, its conditions, etc. Some companies use two or more books for this purpose, keeping trusts received

REGISTER OF TRUSTS.

										TRUSTS CLOSED			
1		Richard Roe	Agency	Agreement						1			8
2		John M. Doe	Administrator	Probate Court	2/6/02	2/6/02	2/6/02						
							4/15/02						
										2			11
3		Wm. R. Jones	Trust under Agreement	Agreement									
4		Chas. H. Johnson	Trustee	Agreement									

Fig. 1.

through the probate court in one book, and other trusts in another book. Considerable discussion on the wisdom of this course was brought out at the meeting of the Trust Company Section of the American Bankers' Association at Milwaukee in 1901.[70] The best usage seems to be to have but one trust register in which are kept records of all trusts, from whatever source.

In 1900 a committee was appointed by the Trust Company Section of the American Bankers' Association to print a book of trust company forms. In Fig. 1 is given the register of trusts recommended by this committee, with sample entries. When a trust is received, memorandum of same is at once made on this register, and the trust is given the next consecutive number. By this number it is thereafter known, and its papers and securities are filed under that number. This is not only a great convenience when the number of trusts becomes large, but is a decided safeguard in filing documents. It becomes of special importance,

70 Proceedings Trust Company Section American Bankers' Association, 1901, pp. 22-27.

Digitized by Google

too, when more than one trust is held from the same party. The numbers also show the order in which the trusts were received and the total number received up to any given date. It does not show the number of open trusts, as many may be closed.

In Fig. 1 the first column is for the number of the trust. The second column is for the date when the trust was opened. Care should be exercised here—and in all books—to have the year, as well as the month and day, correctly and plainly indicated. After the book has been in use for a term of years, this becomes of the utmost importance. Young bookkeepers frequently overlook this.

The next column, headed "name," is for the name in which the trust stands.

The next column, headed "character of trust," describes briefly the capacity in which the company is to act, or the general nature of the work undertaken by it.

The next column, headed "source of appointment," shows whether the trust was received by appointment of court, by private agreement, or otherwise.

These are all the entries that can be made at the time that the trust is received. In cases where an inventory, an appraisement and a proof of publication are required, the dates when these were attended to are inserted in the proper columns. When a trust is closed, entries are made in the next columns showing the date when closed, and the authority for such closing.

It is a convenience to have a special file, called the "disposed of file," for trusts which are closed, so that the live trusts can be kept separate. The last section of Fig. 1, headed "trusts closed," is for use in connection with this file. At a convenient time, the remaining papers of closed trusts are placed in boxes or envelopes in this file, the package is given a number, which is inserted in the last column in the register, and the number of the trust and the date of closing are inserted in the columns shown. Some companies do not give new numbers to closed trusts, but file same by the original number, which is probably the better plan.

There should be an alphabetical index to the register of trusts, giving the number of each trust and, if desired, the page on the register in which it is entered. The regular size of page for this register is 21 by 15½ inches.

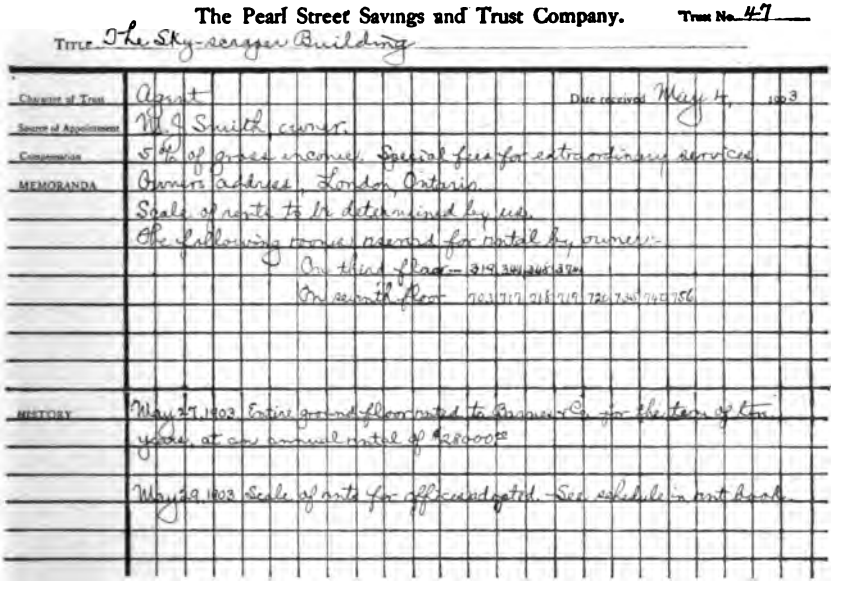
It will be seen that this register permits of only a meagre record of the facts regarding each trust. It serves as a convenient means of keeping a list of trusts and of learning at a glance the proper number to give to each new trust. But fuller details regarding the trusts must be written out elsewhere. Some companies have such details on a specially printed page inserted in the loose-leaf trust ledger at the beginning of the account of each trust.

Many companies dispense with the use of this form of trust register entirely, and register all trusts in a book devised on quite a different

Digitized by Google

plan. In the book, one page (or more, if necessary) is given to each trust, the facts regarding the trust being treated at greater or less length, as the case in hand may require. The trusts are given the proper consecutive numbers as received, the same as in the brief form of register. The pages are either ruled across like an ordinary record book for writing, or are entirely blank if they are to be filled in with a book-typewriter. The book may be specially printed, but unless loose leaves are used it will not be of advantage to have much printing, as the record needed for different classes of trusts varies greatly. In any event the matter to go in the trust register should either be dictated by an officer or inserted by an intelligent clerk who is thoroughly familiar with the work.

Fig. 2 shows a page for such a register. The history of the trust may be continued on the other side. The page is quadrille-ruled, as a convenience in tabulating items when necessary. Its size is 11x15 inches.


The Pearl Street Savings and Trust Company. Trust No. 47

TITLE The Sky-scraper Building

Character of Trust: Agent — Date received May 4, 1903

Source of Appointment: M. J. Smith, owner.

Compensation: 5% of gross income. Special fees for extraordinary services.

MEMORANDA: Owners address, London, Ontario.
Scale of rents to be determined by us.
The following rooms reserved for rental by owner:-
On third floor — 319 341 348 374
On seventh floor 703 717 718 719 720 735 740 756

HISTORY: May 27, 1903 Entire ground floor rented to Barnes & Co. for the term of ten years, at an annual rental of $28000.00
May 29, 1903 Scale of rents for offices adopted. — See schedule in rent book.

FIG. 2.—PAGE OF TRUST REGISTER.

If the trust business is large, the best plan is to use a loose-leaf trust register, with pages specially printed for different classes of trusts that are common, and blank pages for others. As each trust is received, the proper kind of page is inserted, and the next consecutive number is given to the trust.

Figs. 3 and 4 show two different pages for such use; and the page shown in Fig. 2 may be so utilized.

Fig. 3 gives the front page of a leaf used by a large company for the registering of trust deeds. This company uses a book typewriter,

Digitized by Google

Form A.

TRUST DEED TRUST NO. 216

TITLE The Smithville Electric Traction Company. TOTAL ISSUE $ 300,000.00

MEMORANDA

SHEET NO. 1 FROM 7/2/02 TO

COMP. $ 300.00	RECEIVED July 2, 1902. ACCEPTED BY EXEC. COM. July 2, 1902. APPROVED BY TRUST COM. June 15, 1902.
LAWS OF	New Jersey.
DATE OF	MORTGAGE July 1, 1902. EXECUTION July 1, 1902. BONDS July 1, 1902.
RECORDED	CITY Smithville. COUNTY AND STATE Sussex, New Jersey. DATE July 1, 1902.
AS TO CHATTEL	CITY Smithville. COUNTY AND STATE Sussex, New Jersey. DATE July 1, 1902. June 20, 1903.
BONDS PROVIDED FOR	300 BONDS, NOS. 1 TO 300 INCLUSIVE. $1000.00 EACH TOTAL $ 300,000.00
BONDS PAYABLE	IN New York ON July 1, 1922. AT Blank Trust Co.
INTEREST PAYABLE DATE J & J	IN New York ON Jan. 1 & July 1. AT Blank Trust Co.
DESCRIPTION OF PROPERTY	Franchise. Nine and one-fourth miles of track, wires, etc. Power house and eight acres of land, cor. 8th Ave. and 17th St., and equipment on same. Car barns and equipment and five acres of land, cor. 18th Ave. and 83rd St. 107 cars with motors, etc. Sundry property per description in deed. All located in Sussex Co., N.J.
INSURANCE	$30,000. on Power house and adjacent buildings. $40,000. on equipment. $15,000. on barns and contents.
SINKING FUND	$14300.00 down and same amount on July 1 of each year to 1921 inclusive, to be paid in trust to the Blank Trust Co.
IN CASE OF DEFAULT TRUSTEE MAY	Sell property. See trust deed.
IN CASE OF DEFAULT BONDHOLDERS MAY	Three-fourths in interest may demand action on part of trustee. See trust deed.
OVER.	

FOLIO 374 219

FIG. 3.

with which the entries are made, as shown in the figure. The abbreviation "Comp." at the upper left-hand corner refers to the compensation received by the company for its services. Most of the entries are self-explanatory. It will be noticed that the memoranda opposite the headings, "in case of default trustee may" and "in case of default bondholders may" are not extended. The utility of extended memoranda on such points is doubtful. If action is to be taken in these matters, such action

Digitized by Google

TRUST No. 379

TITLE George William Brown

CHARACTER of TRUST Administrator (With the will annexed)

THE BLANK TRUST COMPANY SHEET No. 1 FROM 5/10/00 TO 4/10/02

Ledger Folio #27	Source of Appointment Probate Court Date Opened May 5, 1900
INVENTORY FILED	May 7, 1900.
APPRAISEMENT FILED	May 8, 1900.
PROOF OF PUB.	May 9, 1900.
MEMORANDA	$1000.00 to be paid at once from cash on hand to Charity Hospital. All other property to be turned into cash and divided equally among the three heirs.
Beneficiaries	George William Brown, Jr. } Children. Mary Spencer Brown } Henry Watterson Brown } Address of all, Jonestown, N.Y.
Property in Trust	Homestead, 216 acres near Jonestown, Brown Co., N.Y. $20000.00 school bonds, city of Rochester, N.Y. $10000.00 stock N.Y.C. & H.R.R.R. $25000.00 stock Fake Mining Co. $3714.56 Cash in First Trust Co. Jonestown, N.Y. Household goods and personal property per inventory.
HISTORY	May 12, 1900. At conference with heirs and Probate Judge, decided that it is wise to await more favorable time to sell property. Sept 27, 1900. House and barn on homestead burned. Dec. 3, 1900. Received insurance money on above from Farmers' Ins. Co., Feb. 16, 1901. Sold R.R. stock and school bonds. July 30, 1901. " personal effects on homestead at auction: Mch. 7, 1902 " homestead to Geo. W. Brown. " Fake Mining Co stock for $1.00 to Henry W. Brown. Apl. 4, 1902. Made final disposition of property per terms of will. Apl. 10, 1902. Filed final account.

TRUST CLOSED Apl 10, 1902
Disposed of File No. 131

FIG. 4.

should be put in the hands of the attorney of the company, and he will not be content with less than a study of the trust deed itself. Especially will this be true if there is any question regarding the interpretation of the instrument. It is a safe rule never to put into the trust register any memoranda regarding whose correctness there might be the least question. The blank space is much more useful than such a memorandum, and capable of less damage.

On the reverse side of the leaf the record is continued with the following headings: "In case of sale," "liability of trustee," "sale or exchange," "delivery of bonds."

Digitized by Google

Fig. 4 shows a page adapted to record of trusts received through the probate court. The first part calls for the same information as in Fig. 1. Under the "list of property in trust," need be given such property only as is not itemized on the trust ledger. Some companies put into the ledger only the cash in the trust; others add the securities at the appraised value and some at the face value, and some include all the property in the trust, items of uncertain or doubtful value being listed at the nominal appraisal of one dollar. The last plan is a safeguard against overlooking any item of the trust property. If this plan is followed the list of property in the register may be omitted.

Under the head of "memoranda" are entered any special remarks regarding the terms of the trust, matters to be attended to and, if desired, the names of the beneficiaries, regular remittances, etc. The best usage, however, is to enter the latter memoranda on a page preceding the account in the trust ledger, as will be described later. Indeed, some companies register their trusts only on pages (like that shown in Fig. 2, or blank pages) which are inserted in the trust ledger, thus keeping all memoranda regarding each trust in one place. In such cases a numerical index to trusts must be kept in a separate book.

Under "history" should be given a complete record of all essential matters in the administration of the trust down to the time of its final disposition. The careful keeping of this record is of great convenience and importance. It should contain such matters as important conferences with the makers or beneficiaries of the trust, changes in the written agreement, death of interested parties, etc. When necessary the history should be continued on the reverse side of the leaf.

For the registering of trusts for which neither of these forms is adapted, blank pages should be used, the entries to be dictated by the trust officer or other experienced person. It is convenient to have these blank pages ruled as in Fig. 2 or Fig. 4. A convenient size for these pages for use in a loose-leaf binder is 15⅜ by 13⅞ inches.

Fig. 5 gives the first page and an outline of the other pages of the form used by another large company, on a somewhat different plan. This form is made of card-board, size 5¼ by 10½ inches, containing eight pages and no cover.

At the top of the second page is the heading "terms of the trust and powers of trustee." The third page is divided into three equal parts, with the headings shown in Fig. 5. The fourth page is headed "history," and this is to be continued as far as necessary on the remaining five pages. These forms are arranged in numerical order in specially prepared files, which contain only the live trusts, the forms being removed to a transfer file as each trust is closed and its record completed. This plan is convenient in that when one wishes to consult the record of a given trust he may remove the form from the file, and have the record in compact and convenient shape without the handling of a large book, and without interfering with the work on other trusts. It requires care lest a

Digitized by Google

[Page 1]

ESTATE OF Amos B Green

No. 349

THE UNION TRUST COMPANY

Administrator

APPOINTED 9/18/02 BY Probate Court

TRUST CREATED BY Will of Amos B Green

TRUST TERMINATES 9/18/04, or sooner upon completion of work

ACCOUNT MUST BE FILED before 9/28/04.

COMPENSATION per statute

LEDGER NO. 37

M M White ATTORNEY.

[Page 2]

TERMS OF THE TRUST AND POWERS OF TRUSTEE

.....

.....

.....

.....

[Page 3]

BENEFICIARIES AND THEIR INTERESTS

.....

.....

.....

.....

PROPERTY, WHEN AND FROM WHAT SOURCE RECEIVED

.....

.....

.....

.....

EXECUTORY INTERESTS AND EXPECTANCIES

.....

.....

.....

.....

[Page 4]

HISTORY

.....

.....

.....

.....

FIG. 5.

a record be lost or misplaced. Where such records are used, it is a good plan to have printed forms of receipts, one of which the person taking the form signs and puts in the place from which the form is removed, thus showing who is responsible for that particular document until it is replaced.

Some companies use a probate settlement docket, the standard form of which is shown in Fig. 6. The headings and sample entries are self-explanatory. This book is indexed for months, and thus serves as a tickler to show settlements due each month on this particular class of trusts. All probate trusts are here entered, so that the book contains a complete record of settlements of such trusts.

Digitized by Google

The use of this docket is of course unnecessary if the large form of trust register is adopted, and a suitable general trust tickler used, as all the information here contained, and more, is easily recorded on the register. It is of advantage where, for any reason, it is deemed important to keep such memoranda regarding probate trusts separate from those of trusts received from other sources.

It should be said that there is great difference in the ways in which various companies use their trust registers. Some make the memoranda exceedingly brief, depending upon reference to the papers in the trust at frequent intervals. Others have lengthy entries made, even copying wills and other documents in full. In favor of this practice it is urged that many trusts, especially as trustee under wills, may last for twenty or thirty years, during which time the documents may become misplaced or worn by constant usage. In case of the loss of the original paper the *verbatim* copy becomes invaluable.

PROBATE SETTLEMENT DOCKET.

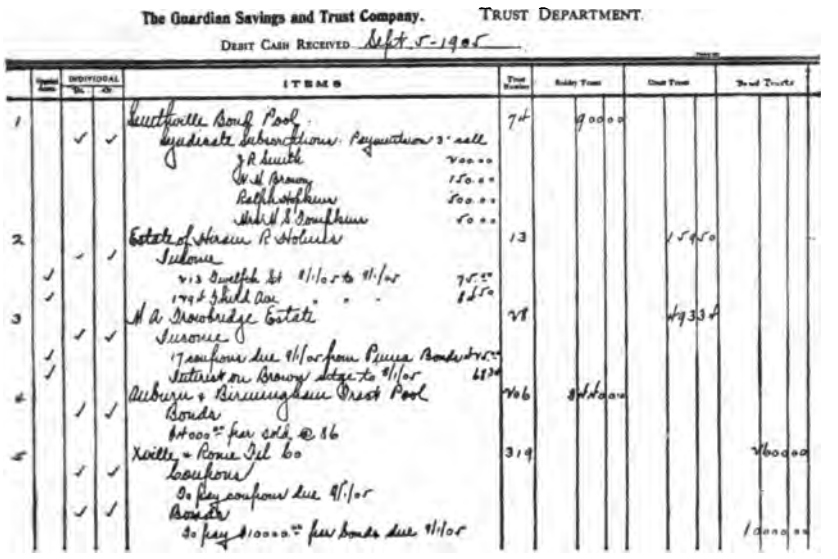
ESTATE OF	NAME OF BENEFICIARY.	DATE OF APPOINTMENT	NATURE OF TRUST	CONTRA.	TRUST NO.	SETTLEMENT DUE	FINAL SETTLEMENT FILED	DISCHARGED
H. L. Cadman	Mary Cadman, wife L. & R. Cadman, Sons	Mch 3 1904	Admr.	27162	1	Mch 3 1904	Mch 4 1904	Mch 4 1904

FIG. 6.

JOURNALS AND LEDGERS.

The book of original entry for all transactions in the Trust Department involving cash is the General Journal of the Trust Department. This book is really, in its main usage, simply a cash-book; but usage differs in the matter of arranging the debits and credits as for a cash-book or as for a journal. The ordinary journal form suffices for the work, and for small companies is not only cheaper than specially-ruled books, but is also quite as convenient. Most of the larger companies, however, use specially-ruled books; the chief purpose of the rulings, aside from the matter of appearance, being to separate different classes of accounts. Figure 7 represents a Trust Journal, or rather Cash-Book, arranged with separate columns for the accounts of "Bond Trusts," of "Court Trusts" and of "Sundry Trusts." The company which uses this book conducts all its trust work through one department, but maintains three trust ledgers—one containing the accounts of bond trusts (i. e., trusts in which the company acts as trustee under bond mortgages, involving the payment of coupons and of bonds when due), another containing the accounts of court trusts (i. e., trusts received by appointment of court), and the third containing the accounts of all other trusts for

Digitized by Google


The Guardian Savings and Trust Company. TRUST DEPARTMENT.

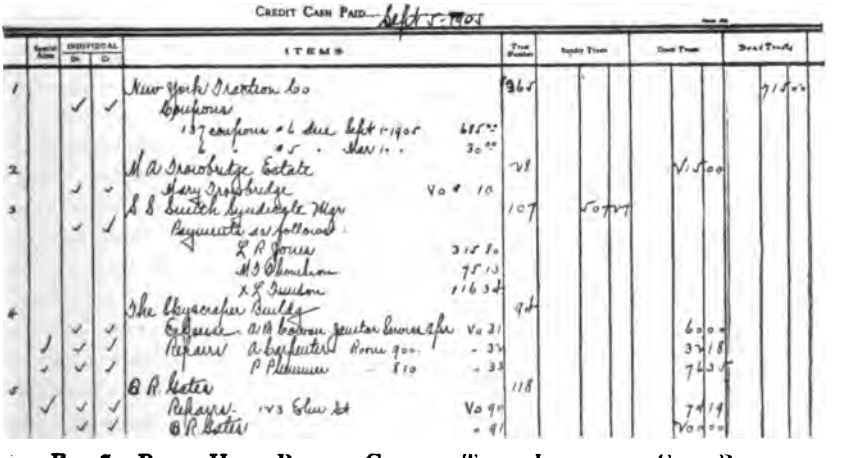
DEBIT CASH RECEIVED Sept 5-1905

	Special Accounts	INDIVIDUAL Dr.	INDIVIDUAL Cr.	ITEMS	Trust Number	Sundry Trusts	Loan Trusts	Bond Trusts
1		✓	✓	Smithville Bond Pool.	7+	9000		
				Syndicate Subscriptions. Payments on 3% sale				
				J R Smith	2000			
				W H Brown	150			
				Ralph Hopkins	500			
				Mrs H S Bonfhum	50			
2		✓	✓	Estate of Horace P Holcutt	13		1545	
				Sundries				
	✓			113 Bluefish St 9/1/05 to 9/1/06		75		
	✓			1749 Field Ave " "		6 50		
3				M A Brookbridge Estate	78		4933	
		✓	✓	Sundries				
	✓			17 coupons due 9/1/05 from Prince Bonds				
	✓			Interest on Brown's Acct to 9/1/05		43		
4				Auburn & Birmingham Trust Pool	106	8000		
		✓	✓	Bonds				
				$1000 par each @ 86				
5				Xville & Ponca Ry Co	319			60000
		✓	✓	Coupons				
				30 Pay coupons due 9/1/05				
		✓	✓	Bonds				
				30 pay $1000 par bonds due 9/1/05				10000

FIG. 7.—LEFT-HAND PAGE OF GENERAL TRUST JOURNAL OR CASH-BOOK.

which cash is handled. It will be seen that the arrangement of this cash-book makes convenient the posting of the items to the three ledgers, inasmuch as a glance down any column shows what items are to be posted to the ledger in hand.

The three small columns at the left of each page are for posting marks. The first of these columns, headed "Special Accounts," is for use with those items that must be sub-posted to any other than the regular ledger accounts, such as rents, items for the Loan Register, etc. In the ledger a complete set of books is kept for each trust, just as the owner


The Guardian Savings and Trust Company. TRUST DEPARTMENT.

CREDIT CASH PAID Sept 5-1905

	Special Accounts	INDIVIDUAL Dr.	INDIVIDUAL Cr.	ITEMS	Trust Number	Sundry Trusts	Loan Trusts	Bond Trusts
1		✓	✓	New York Bridge Co	365			7150
				Coupons				
				137 coupons @ 5 due Sept 1-1905		685		
				" " 5 " Nov 1 "		30		
2				M A Brookbridge Estate	78		1500	
	✓	✓		Mary Brookbridge		10		
3				S S Smith Syndicate Mgr	107	5077		
	✓	✓		Payments as follows				
				J R Jones		315		
				M S Thornton		75		
				X Y Trenton		1163		
4				The Skyscraper Building	98			
	✓	✓	✓	Collected A/C Bowen Investor Service Agt		21	600	
	✓	✓	✓	Repairs A/C Superintendent Room 900		37	37	15
	✓	✓	✓	" P Plummer		33	74	35
5				B R Potter	118			
	✓	✓	✓	Rebates 173 Elm St		91	74	19
		✓	✓	B R Potter		91	700	

FIG. 7.—RIGHT-HAND PAGE OF GENERAL TRUST JOURNAL OR CASH-BOOK.

Digitized by Google

of the trust might keep them for himself. Each item in the general cash book therefore appears in the individual ledger of its proper trust as both a debit and a credit. The columns in Figure 7 headed "Individual—Dr.—Cr." are for the marks of postings to these accounts. In the figure the entries are numbered for convenience in describing the entries: these numbers would not appear, of course, in the regular use of the cash-book. Thus, in the left page of Figure 7, entry No. 1 would be posted first as a debit to the cash account of the Smithville Bond Pool, and a check mark made in the Dr. posting column. It would then be posted to the credit of Syndicate Subscriptions account of the Smithville Bond Pool, and a check mark made in the Cr. posting column. Of the remaining entries on the left page, the debits would all be made to the cash accounts of the several trusts. The credits would be made as follows: Entry No. 2, to the Income account of the trust concerned; entry No. 3, to income; entry No. 4 to the Bonds account, and if the bonds are sold at a profit, the excess over the cost would be posted to the credit of the Profit on Bonds account; entry No. 5, to the Coupons account and to the Bonds account. In entry No. 2, the items would be sub-posted to the rent ledger under the account for each piece of property, and the check marks of the postings placed in the Special Accounts posting column. In entry No. 3, the interest on the mortgage would be sub-posted to the Loan Register, under the account for this mortgage.

In the right-hand page of Fig. 7, the credits for all the entries would be made to the cash accounts of the several trusts. The debits would be made as follows: Entry No. 1, to Coupon account of the trust involved; entry No. 2, to the account of Mary Trowbridge, if remittances are regularly made to her; or, if remittances are not regularly made, to the Expense account; entry No. 3, to S. S. Smith, Syndicate Manager; entry No. 4, to Expense and Repairs accounts, respectively; entry No. 5, to Repairs and O. R. Gates accounts, respectively. The Repairs items in entries Nos. 4 and 5 would be sub-posted to the Rent ledger under the accounts of the properties involved, a separate account being kept of the expenses and repairs on each piece of property. It will be noted that a voucher is kept for each item of expense, the vouchers for each trust being numbered consecutively.

With this journal, as already stated, ledgers are used in which a complete set of "double entry" books is kept for each trust. The ledgers, which are preferably loose-leaf books, are indexed by tabs on the edges of the leaves, and after the tab index for each trust are inserted as many ledger leaves as may be required. The number of accounts carried for each trust depends, of course, upon the character of the trust. It may require the carrying of only Cash and one other account, such as Principal or Income. It may be necessary to add to these such accounts as Bonds, Stocks, Mortgages, Real Estate, Individuals, etc. Under this plan the cash account will of course contain a memorandum of every cash transaction affecting the trust, and it therefore serves as the basis

Digitized by Google

for rendering statements of account either to the court or to beneficiaries or to the maker of the trust. Some companies call this account the Bank account rather than the Cash account..

For these ledger pages any of the forms shown hereafter may be used. If only one form be used, as is practicable, though not entirely convenient, that shown in Figure 16 is probably the most useful, being adapted to different kinds of accounts, and containing columns for both debit and credit balances.

Inasmuch as the character of the business done in trust work for court trusts differs considerably from that done for corporation trusts and others, many companies, as already stated, divide the trust work into two divisions, and use different styles of records in the two divisions. Figure 8 represents a journal form used in the corporations division of the trust

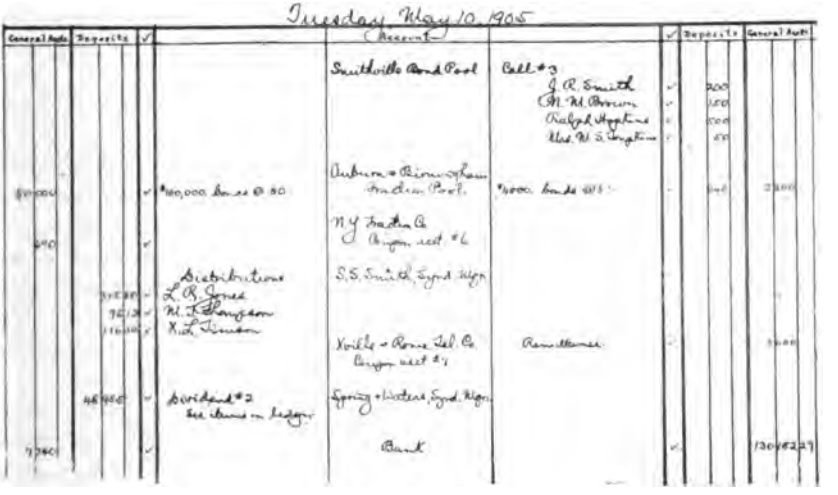


FIG. 8.—JOURNAL FOR THE CORPORATIONS DIVISION, TRUST DEPARTMENT.

department. The general arrangement of the page is one which is coming to be used extensively for various purposes both in trust and banking departments. Both debit and credit items are brought on to the same page; and the space for names and descriptions being in the center, the writing of the names of accounts is often avoided in cases where there are both debits and credits to be made to the same account. It also causes the name of each account to stand out prominently on the page. The object of the extra column headed "General Accounts" is to facilitate the separation of accounts which for any reason are to be treated differently from the regular deposit accounts, or of accounts which are carried in a separate ledger. For example, the total funds of the department are carried as Bank account, which is of course a general account made up of the cash balances of all the accounts in the department. These funds are carried by some companies in their banking de-

Digitized by Google

partments, and by some are carried in other trust companies or banks. As shown in the figure, the total of disbursements for the day is credited to Bank in the General Accounts column; and the receipts are debited to Bank either at the close of the day or at convenient times during the day as deposits of the funds are made. Among other general accounts would be the interest account for interest received on the Bank account, Bonds and Stock account, if the total of these items be carried in a separate account, etc. The company from whom the writer got this form carries all coupon accounts in a separate ledger, and therefore enters items for coupon accounts in the General Accounts column in the journal. The second entry in Figure 8—that of the credit to "Auburn and Birmingham Traction Pool"—illustrates a use of the two columns. The bonds having been purchased at 80, are carried at that figure in the general Bonds account. The sale here recorded having been at 86, the profit of $240 is journalized in the Deposits column, while the amount at which the four bonds are carried—$3,200—is entered in the General Accounts column.

The next-to-the-last entry in Figure 8 illustrates a time and labor saving plan that is much used. A dividend of $48,955 is paid, the amount being divided between perhaps one or two hundred persons. Only the total is entered in the journal; while the items, taken from the stubs of the department's check-book, are entered in detail in the ledger. In case of a large number of credit items to the same account on the same day, a similar plan is followed, the details being posted directly to the ledger from the credit tickets. This plan subtracts nothing from the completeness of the record, while it saves about half the labor otherwise necessary.

It will be noted that although this book is practically a cash book, is is not, like the form shown in Figure 7, arranged in cash-book style. This matter is largely a question of personal taste, but the usage is in favor of using the journal rather than the cash-book style, the credits appearing on the right and the debits on the left, as in Figure 8.

The ledger for this department is preferably a loose-leaf book. There is so much variety in the nature of the accounts that must be kept that it is a decided convenience to have special rulings for the different kinds of accounts; and this cannot be done easily unless loose leaves, to be inserted as needed, are used. The leaves must be large enough to accommodate accounts requiring much space. A convenient size is about fifteen and one-quarter inches deep and eleven inches wide for the rulings, with such added width as is needed for the style of binder used. Figures 9, 10, 11, 12 and 16 show several ledger forms that have been found useful.

Figure 9 shows a form adapted to accounts in which funds are collected in installments or on "calls," or in which payments are to be made in several dividends, or in which either receipts or disbursements are to be classified. The figure illustrates the use of the form for an account involving the collection of funds on several calls. From this record it is

Digitized by Google

easy to ascertain at any moment the totals paid in on each call, the persons who have made payments on each, and the balance of the account. In a similar manner, where the form is used to record the payment of funds in several dividends, it easily shows any information regarding the account that is apt to be wanted. For ordinary dividend accounts, however, the use of Form 10 is better, inasmuch as the whole dividend is usually paid on the same day, and the complete account may therefore be at once placed on a page by itself. Where funds are to be disbursed, and a separate account is wanted of items paid on account of principal, interest, commission, expense, etc., this form is well adapted to the needs. Because of the various uses to which the form may be put, the several columns have no printed headings; but it is customary to have rubber stamps for the headings most used.

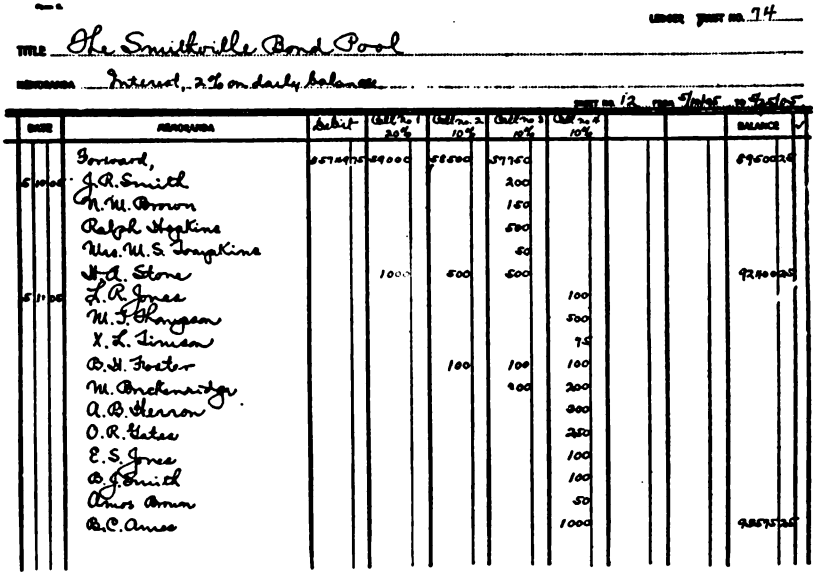


FIG. 9.—LEDGER SHEET FOR ASSESSMENTS AND DISTRIBUTIONS.

Figure 10 shows a ledger form adapted to accounts where not much room for description of items is needed. The record is kept in a very compact shape. The figure illustrates its use for dividend accounts. If the number of items be large, the account is continued on the right half of the page, shown blank in the figure, and on the other side of the leaf, which is ruled in the same way. If the number of items be small, two dividends may be recorded on each page. This is a convenient form to use for coupon accounts, unless a special form like that shown in Figure 12 is used. The small columns headed by check-marks V in this form are for use in case the work is to be checked over in a hunt for an error

Digitized by Google

or for any other purpose. The use of the column for such check-marks leaves the page in neater shape than do check-marks placed indiscriminately, besides being a clearer guide.

In Figure 11 is shown a ledger page which is convenient where the items are to be described at length. The descriptions of debit and of credit items may be separated by the device explained in connection with Figure 14.

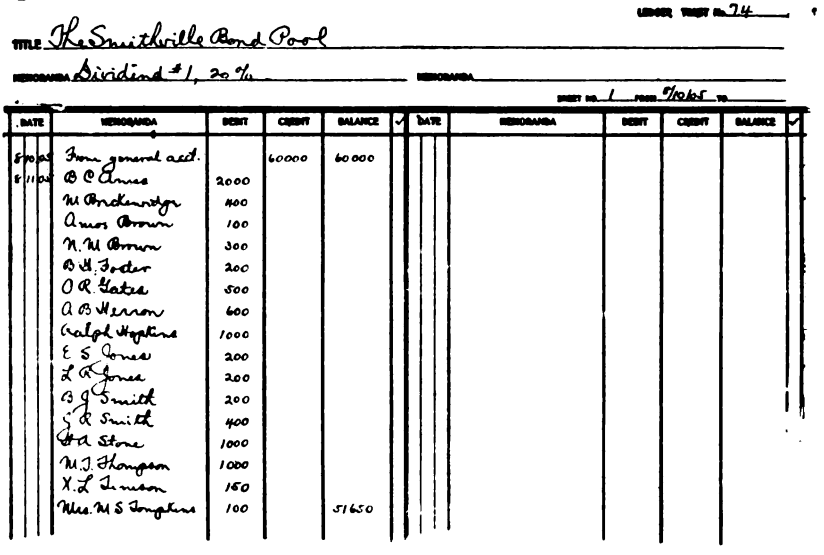


FIG. 10.—LEDGER SHEET FOR GENERAL USE.

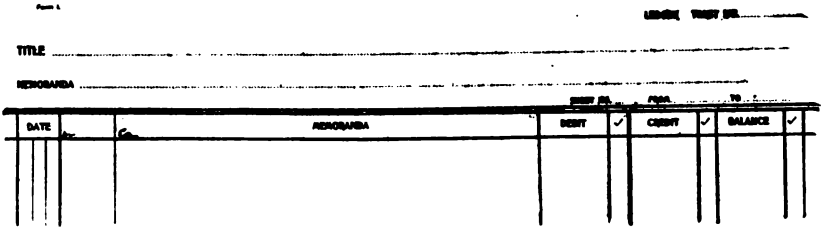


FIG. 11.—LEDGER SHEET WITH WIDE DESCRIPTION COLUMN.

In Figure 12 is shown a form which combines a ledger page for coupon accounts and a record of coupons paid. The combining of the two is a great time saver, and the arrangement for noting the bond numbers of coupons paid is very convenient. In the first debit to the account —that for the payment of coupons presented by John Doe—record of the bond numbers 137, 138 and 139 is made in the description column in the ledger part of the page, and check-marks (V) are made in the proper spaces in the form for bond numbers of coupons paid. In the fourth debit, the First National Bank of Chicago has presented twenty-five

Digitized by Google

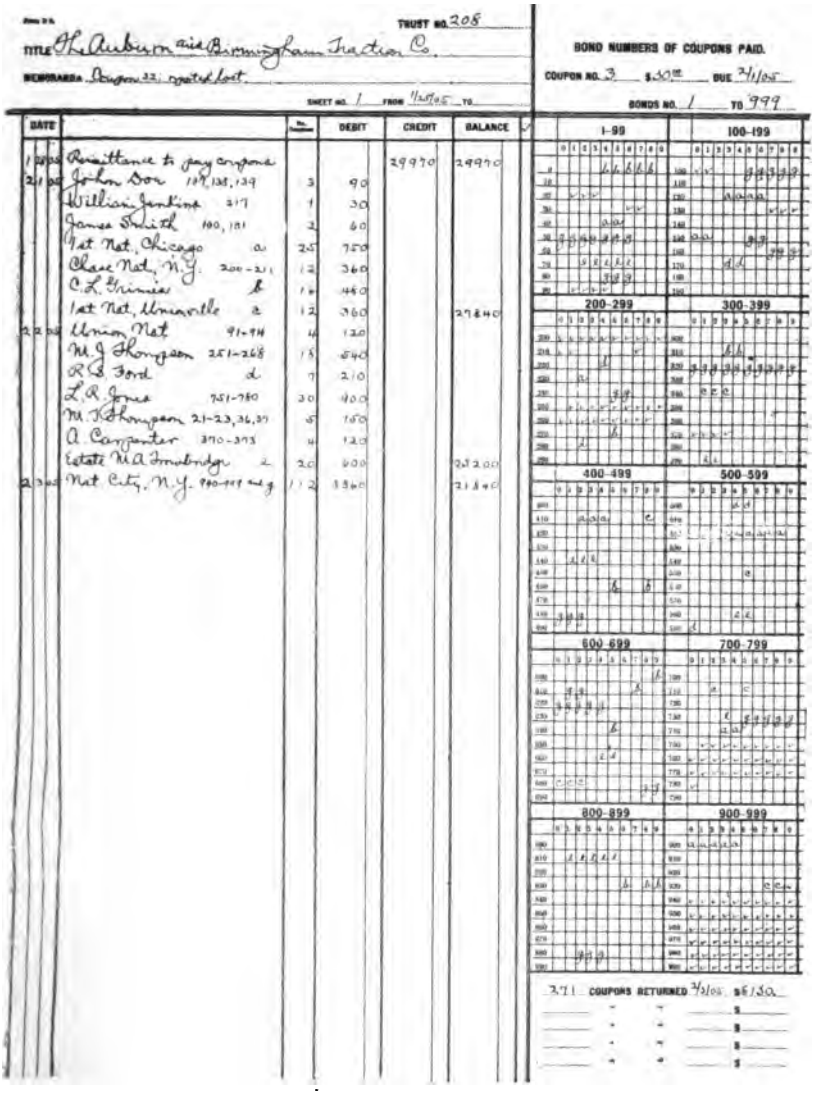


FIG. 12.—COMBINED COUPON LEDGER AND RECORD SHEET.

coupons cut from bonds whose numbers are not consecutive. To list all these numbers separately would require considerable time, and then the record would not be as clear as that obtained by the device here used. The letter "a" is used to designate the coupons covered by this entry. This letter is then placed in each of the little squares showing the bond numbers of such coupons—*i. e.*, 44, 45, 123, 124, 125, 126, 232, 412, 413, 414, etc. The next party presenting a bunch of coupons whose bond numbers are not consecutive is given the letter "b," the next "c," and so on. As is evident from a study of the figure, this device shows easily and

Digitized by Google

quickly what coupons have been paid, and who has presented any particular coupon. In case the ledger space on the page is exhausted before the form for bond numbers of coupons paid is filled, the use of the latter is continued, only the ledger space of the next page being used. It is more apt to happen, however, that several pages will have to be used for the bond numbers of coupons paid before the ledger space of one page is filled. If more than 999 bonds are outstanding from which coupons are to be presented, of course two or more pages will have to be used for recording the bond numbers of the paid coupons.

The use of these various ledger forms suggests again the very great convenience of the loose-leaf system. Under this system, whenever an account calls for the use of any one of these forms or of any other form which may be suggested by the needs of the case, such form may easily be inserted in the ledger and the records be kept in the clearest and most convenient manner. The system is adaptable to any need that may arise. This is not true of the bound book; for while a number of different forms may be bound under the same cover, it is impossible to foresee just how many pages of each kind of form will be needed; and it is impossible to group them in the most convenient manner for a series of accounts. Moreover, at any time a new kind of account may be received which, for the greatest clearness and convenience, will require a kind of record different from any in the book. In such a case, if the loose-leaf system is used, all that is necessary is to have the printer prepare the new form, and insert it in the binder. Furthermore, under the loose-leaf system there need be carried in the ledger only such pages as are needed, while in a bound book there are certain to be many unused pages, and the number of such unused pages is sure to be increased as the number of different forms is increased. When all of the pages of a certain form are used, the book must be filed away with many pages of the other forms unused. This takes space in the vault and adds to the expense.

Journals and Ledgers for the Estates Department.

In the Estates Department, especially if the amount of business is large, it is convenient, if not essential, to have record forms prepared especially for the kind of work handled. There is much variety in the forms used by different companies; and it is of course true that a company doing only a small business in this line will find convenient the use of forms somewhat different from those required by larger companies. The chief points of excellence to be desired in a system for keeping accounts of this character are: simplicity and clearness; adaptability to both large and small accounts; adaptability to accounts requiring many sub-accounts and to those requiring but few sub-accounts; convenient arrangement for rendering statements to courts or to others directly from the books, without the necessity of the stenographer being furnished with a separate copy of the account.

Digitized by Google

With all these points and some others in view, the best system of books for the Estates Department that the writer has seen is that described in connection with Figures 13, 14, 16 and 18, which was adopted by the company using it after experimenting with other forms. This system involves the use of a general journal, in which is given in skeleton form the total transactions for the day in all trusts; individual journal sheets in which the transactions for each trust are entered in detail in chronological order; ledger sheets, and memorandum sheets. The loose-leaf system is used except for the general journal.

Figure 13 shows the general journal used in this system. The size of each page is 15¼ inches wide by 14¾ inches deep. This book serves the double purpose of furnishing a resume of the total transactions for the day in all the trusts that are active for the day, and of distributing the items to their proper places among the general accounts with a minimum of labor and yet with accuracy and clearness. Reading from the center of the book outward on either page, the headings are: Date, Memoranda, Cash, Bank, Income, Principal, Individual, Unimproved Real Estate,

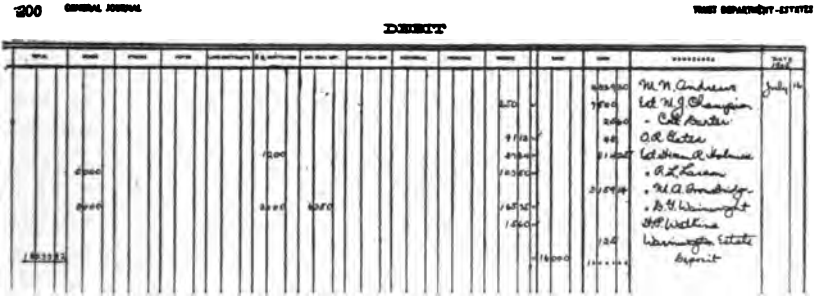


FIG. 13.—LEFT-HAND PAGE, GENERAL JOURNAL, ESTATES DEPARTMENT.

Improved Real Estate, Real Estate Mortgages, Land Contracts, Notes, Bonds, Stocks, Total; the headings, with the exception of the first two, corresponding to the names of the general accounts carried. This company finds it convenient to maintain a separate cash-drawer in this department, and hence the columns for both Bank and Cash. Where such a cash-drawer is not maintained, the Cash column would of course be unnecessary. In one of the columns headed Memoranda are entered simply the names of the trusts having transactions during the day, and opposite such names, in the proper columns, the debits or credits to the various accounts under each trust. In the figure, since it is necessary to show the form here in two parts, the names are entered in both of the Memoranda columns; but in practice they need be entered but once.

In Figure 13, the first entry shows that there was received for the M. N. Andrews trust, $4,829.30, which is debited to Cash (left-hand page). On the right-hand page, $4,500 of this amount is shown credited to Principal, and the balance, $329.30, to Income. In the second entry it is shown that there has been received for the Estate of M. J. Champion,

Digitized by Google

$7,500, which is debited to Cash (left-hand page), and credited to Improved Real Estate (right-hand page). Also, for this estate there has been expended $250, which is credited to Bank (right-hand page) and debited to Income (left-hand page). In the eighth entry it is shown that there has been disbursed for the Estate of D. G. Wainright the sum of $11,515.75, of which $3,000 is debited to Bonds, $2,000 to Real Estate Mortgages, $6,350 to Improved Real Estate, and $165.75 to Income. The last entry shows that of the funds received during the day, $16,000 was deposited in the bank. The totals in the total column on either page represent the totals of all items on the page except the Cash and Bank items. The total shown on the right-hand page agrees with the footing of the Cash column on the left-hand page; and that on the left-hand page with the footing of the Bank column on the right-hand page. The footings of the various columns are carried forward from page to page for a week or for any convenient period, and are then posted to the general accounts.

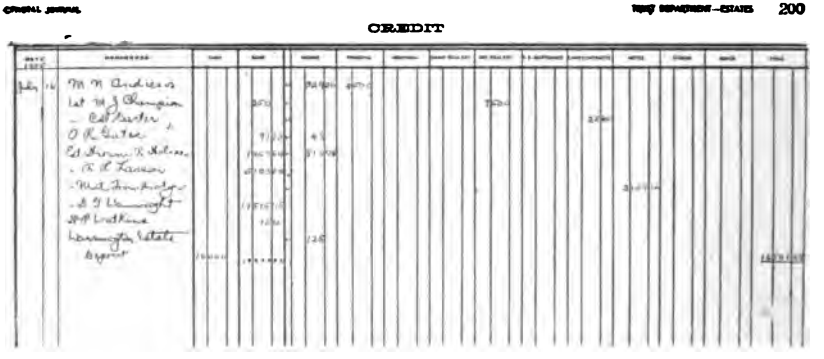


FIG. 13.—RIGHT-HAND PAGE, GENERAL JOURNAL, ESTATES DEPARTMENT.

The day's work being thus summarized in the general journal, the work for each trust is entered in detail in the individual journal of the trust, the form for which is shown in Figure 14. The credit entries are made directly from credit tickets, and the debit entries from the stubs of the department check-book. This journal, it will be noted, separates entries for Income account from those for Principal account, which is a convenience not only in posting, but in the rendering of separate statements of the two accounts. At the left of the space headed Memoranda will be noticed the headings Dr. and Cr. This is a device for separating the descriptions of debit and credit items, the former being begun next to the date line, and the latter under the abbreviation, Cr. This enables the eye to quickly pick out the descriptions of the two classes of items.

In Figure 15 is shown another journal form somewhat similar to this, but arranged in cash-book style, with receipts entered in the left-hand column. At the top of the first page in this journal are given brief memoranda regarding the trust. Concerning this see the discussion in connection with Figure 18.

Digitized by Google

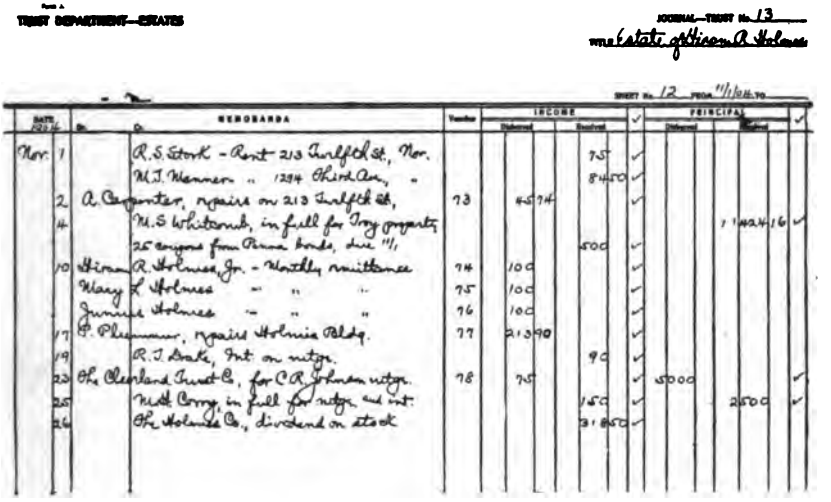


FIG. 14.—INDIVIDUAL TRUST JOURNAL, ESTATES DEPARTMENT.

From the Individual Journal of each trust the items are of course to be posted to the ledger accounts for that trust. These ledger accounts may include any or all of those shown in the headings of Figure 13, or others not there shown. A loose-leaf binder is used, and the account of each trust is indexed by tabs on the edges of the leaves. After the tab index for each trust is placed, first the memorandum sheet shown in Figure 18; next the journal sheet (Figure 14), and then ledger pages for as many accounts as the trust may require. The form for the ledger pages is shown in Figure 16, which illustrates the use of the form for the Income account. The space for description of items is limited, full description having been given in the journal, and still more detailed description of debit items in the vouchers. Space is provided for both debit and credit balances, as the form is used for accounts, like securities accounts, which have debit balances, as well as for those which have credit balances, like Principal and (usually) Income.

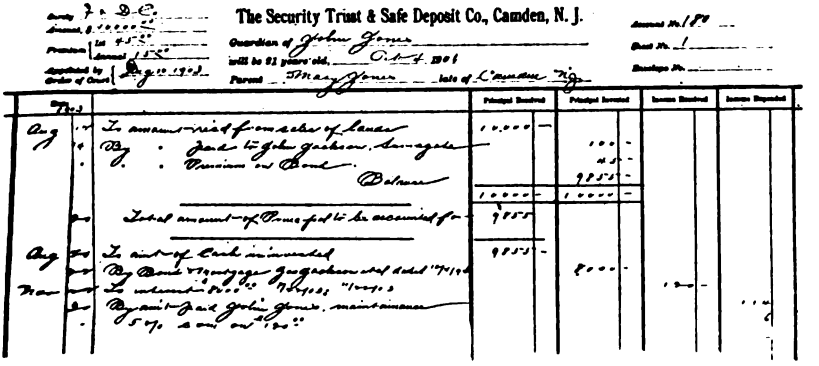
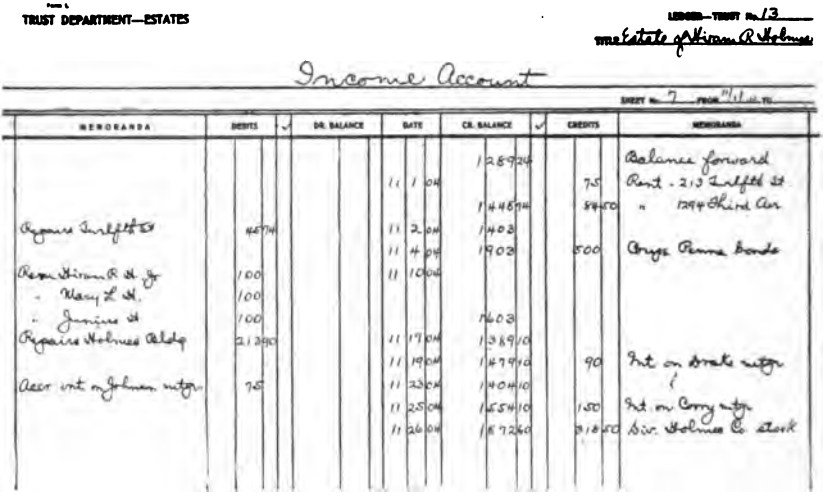


FIG. 15.—INDIVIDUAL TRUST JOURNAL, ESTATES DEPARTMENT.

Digitized by Google



TRUST DEPARTMENT—ESTATES

LEDGER—TRUST No. 13

Estate of Hiram R. Holmes

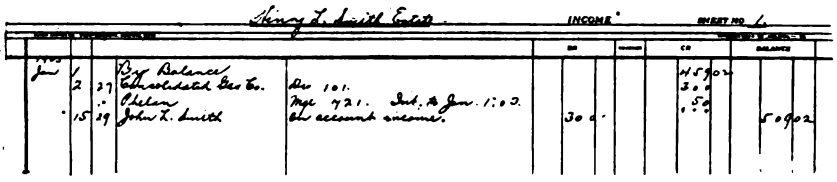
Income Account

SHEET No. 7 FROM 11/1/04 TO

MEMORANDA	DEBITS	✓	DR. BALANCE	DATE	CR. BALANCE	✓	CREDITS	MEMORANDA
					1289 24			Balance forward
				11 1 04			75	Rent - 213 Twelfth St
					1448 74		84 50	" 1294 Third Ave
Repairs Twelfth St	45 74			11 2 04	1403			
				11 4 04	1903		500	Coupe Penna bonds
Rem Hiram R. H. Jr	100			11 10 04				
" Mary L. H.	100							
" Junius H	100				1603			
Repairs Holmes Bldg	213 90			11 17 04	1389 10			
				11 19 04	1479 10		90	Int on Drake mtgr
Accr int on Johnson mtgr	75			11 23 04	1404 10			
				11 25 04	1554 10		150	Int on Corry mtgr
				11 26 04	1872 60		318 50	Div. Holmes Co. stock

FIG. 16.—LEDGER PAGE, ESTATES DEPARTMENT.

In Figure 17 is shown another form for a ledger page for this work, having much more room for description of items.



Henry L. Smith Estate. INCOME SHEET NO. 1.

					DR		CR	BALANCE
1905 Jan	1		By Balance				459 02	
	2	27	Consolidated Gas Co.	Div 101.			300	
		"	Phelan	Mgr 721. Int. to Jan. 1:03.			50	
	15	29	John L. Smith	On account income.	300			509 02

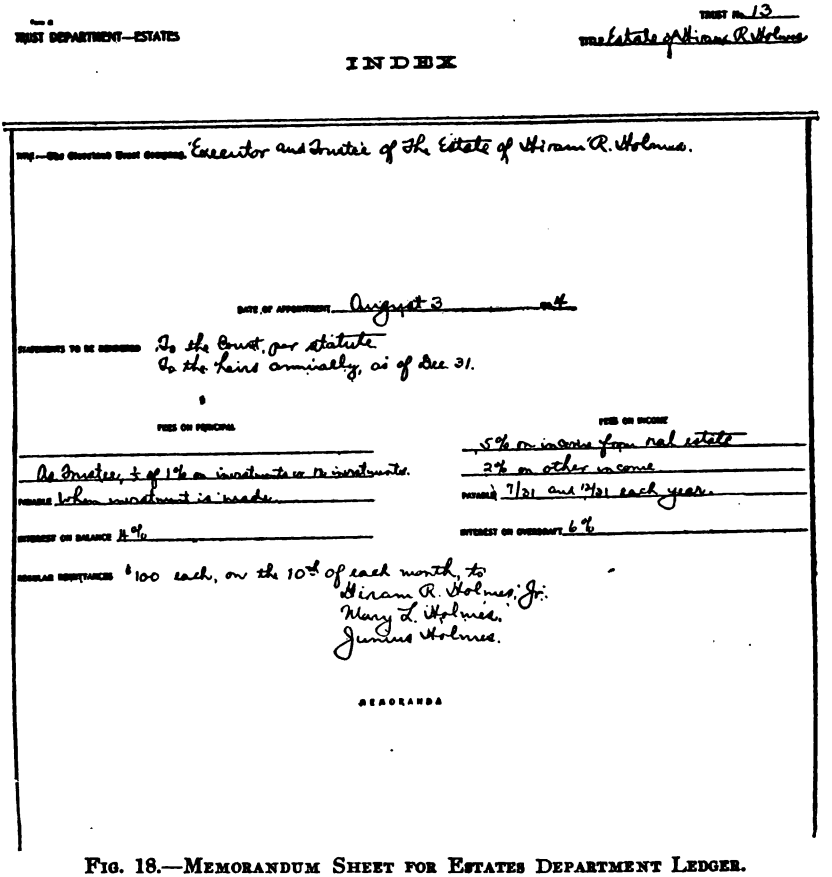
FIG. 17.—LEDGER PAGE, ESTATES DEPARTMENT.

Figure 18 represents a memorandum page which is inserted at the beginning of the account of each trust. Its object is to place within convenient reach of the bookkeeper such facts as he needs for guidance in attending to various matters in connection with the trust. It is not intended to take the place of the Trust Register, where fuller details are given; nor does it take the place of the department tickler, in which are made memoranda of all things that will need attention in the future. The entries to be made on this sheet will vary with the circumstances of the trust and with the personal preferences of the head of the department and of the bookkeeper, for whose convenience it is chiefly designed. In Figure 15 have been shown the memoranda used by another company for a particular kind of trust.

As already noted, some companies prefer to keep their Trust Register leaves bound in the Trust Ledger, such leaves being inserted at the beginning of the account of each trust, so that all records pertaining to a given trust are kept together. The forms shown in Figures 2 and 4 are adapted to such use.[71]

71 See pp. 177 and 179.

Digitized by Google



TRUST DEPARTMENT—ESTATES

TRUST No. 13

TITLE Estate of Hiram R. Holmes

INDEX

TITLE—The Cleveland Trust Company. Executor and Trustee of The Estate of Hiram R. Holmes.

DATE OF APPOINTMENT August 3 1904

STATEMENTS TO BE RENDERED To the Court, per statute
To the heirs annually, as of Dec. 31.

FEES ON PRINCIPAL

As Trustee, ½ of 1% on investments or re-investments.

PAYABLE When investment is made.

INTEREST ON BALANCE 4%

FEES ON INCOME

5% on income from real estate
2% on other income

PAYABLE 7/31 and 12/31 each year.

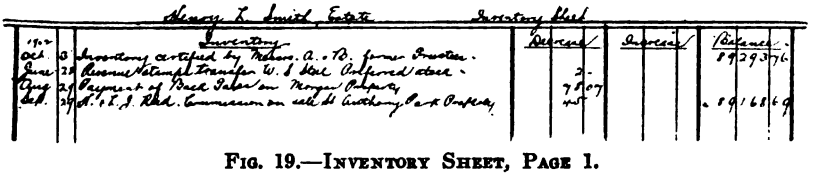
INTEREST ON OVERDRAFT 6%

REGULAR REMITTANCES $100 each, on the 10th of each month, to
Hiram R. Holmes, Jr.
Mary L. Holmes.
Junius Holmes.

MEMORANDA

FIG. 18.—MEMORANDUM SHEET FOR ESTATES DEPARTMENT LEDGER.

Some companies insert at the beginning of the account of each trust an inventory sheet, showing the total principal at the time the trust was received, and the changes made in same. Figure 19 shows such a sheet used by the same company (in New York) that uses the form shown in Figure 17.



Henry L. Smith, Estate — Inventory Sheet

1902		Inventory	Decrease	Increase	Balance
Oct.	3	Inventory certified by Messrs. A. & B. former Trustees.			89293 76
June	28	Revenue stamp transfer W. S. Stel Preferred stock.	2 -		
Aug.	29	Payment of Back Taxes on Morgan Property	78 07		
Sep.	29	N. & L. J. Rhd. Commission on sale St Anthony Park Property	45		89168 69

FIG. 19.—INVENTORY SHEET, PAGE 1.

The inventory shows a balance of $35,450 in Bonds and Mortgages, $7,200 in Real Estate, and $44,350 in Securities. The total inventory being $89,168.69, the Principal account should show a balance of $2,168.69 Cash Principal. Such an inventory ought, of course, to be

Digitized by Google

made somewhere in the records. It may be in such an inventory sheet as here shown; or in the trust register; or in the regular ledger account of the trust, as shown in Figure 22.

The opinion has already been expressed that the general plan just outlined for the handling of estates department accounts is the best one. There are those, however, who prefer other styles of records; and in

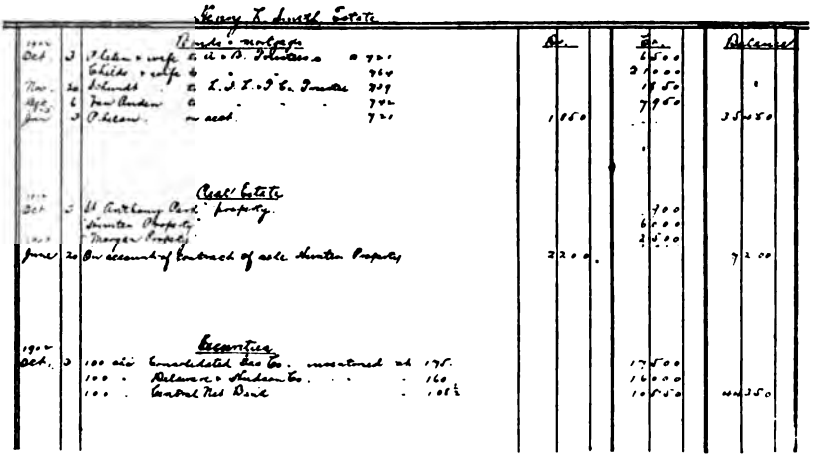


FIG. 19.—INVENTORY SHEET, PAGE 2.

Figures 20 and 21 are shown other styles of ledger sheets, and in Figure 22, the combined journal and ledger form given in the Book of Forms issued by the Trust Company Section of the American Bankers' Association. In the ledger form shown in Figure 20, provision is made for separate accounts of Capital (or Principal) and Income, and balance columns for each are provided. The first page under the account of each trust in this ledger is a memorandum page, the information called for being shown by the following headings: Brief of Terms of Trust,

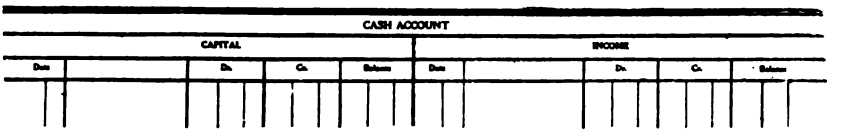


FIG. 20.—TRUST LEDGER, ESTATES DEPARTMENT.

Date of Receipt of Trust, Amount of Commission, Character of Funds Received, Income, When to be Paid, Income Payable to, and History. The ledger form shown in Figure 21 provides for separate accounts of Principal, Income and Trust Investments. It does not have balance columns—a serious defect. The obvious objection to these two forms, Figures 20 and 21, is that no provision is made for the keeping of more

Digitized by Google

than two or three accounts under each trust; whereas it is usually convenient, and sometimes imperative, that a number of other accounts, such as those shown in the headings of Figure 13, be kept.

Of quite a different character than any of the ledger forms thus far given is that shown in Figure 22, which is both a journal and a ledger. It is necessary to show the form here in two parts, the two parts together

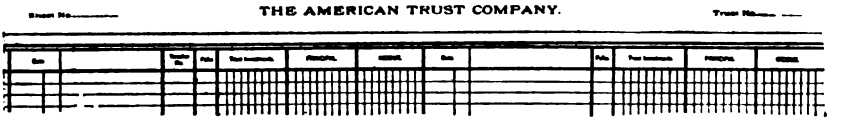


FIG. 21.—TRUST LEDGER, ESTATES DEPARTMENT.

representing the open book as it lies before the bookkeeper. This form has some distinct advantages and some distinct disadvantages. The advantages are most apparent to the bookkeeper who handles the book daily and is thoroughly familiar with its every detail; the disadvantages, to the officer or other employee who is not familiar with the book from daily usage, and wishes to get some information in a hurry when the bookkeeper is out for lunch. Combining as it does the journal and

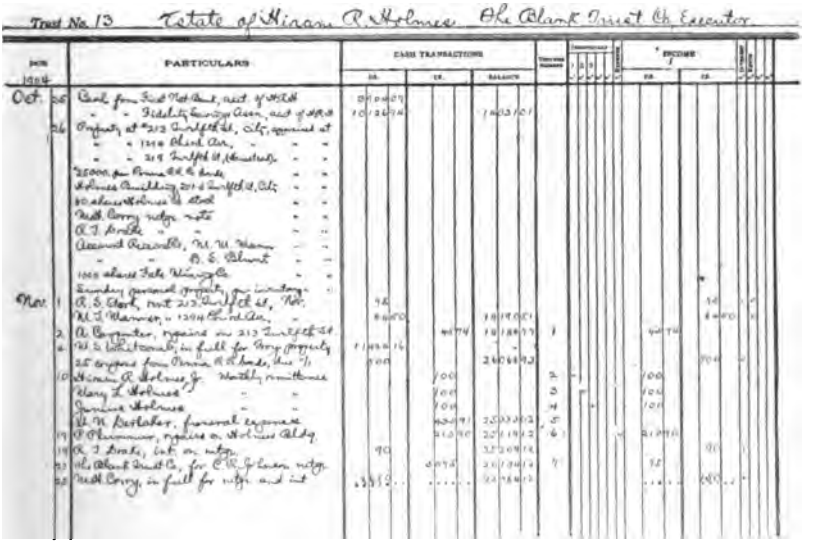


FIG. 22.—LEFT-HAND PAGE, COMBINED JOURNAL AND LEDGER ESTATES DEPARTMENT.

ledger, all posting is done away with, except for such sub-accounts as it may seem wise to carry. The record of transactions in all the different accounts is kept in chronological order, and in rendering reports the stenographer has but to copy the record as it stands. The entries for any account may be easily found. On the other hand, the absence of balance columns, except for Cash, is a serious objection. The bal-

Digitized by Google

ances may be found by simple subtraction if the footings are always up to date; but they are apt not to be so. Another objection to the form is the fact that other accounts than those given may be called for, and there is no way of keeping them except as sub-accounts.

Most of the entries shown in the figure are self-explanatory. For each item there is both a debit and a credit entry, and the accounts as a whole must always be in balance if the work is properly done. The check columns for Individuals, for Interest, Rents and other forms of Income, and those after the columns headed "Personal Property," may be used either for postings to sub-accounts or as a means of picking out the entries for the particular classes of items, or for both purposes. The Principal account shows the total Principal at any time,

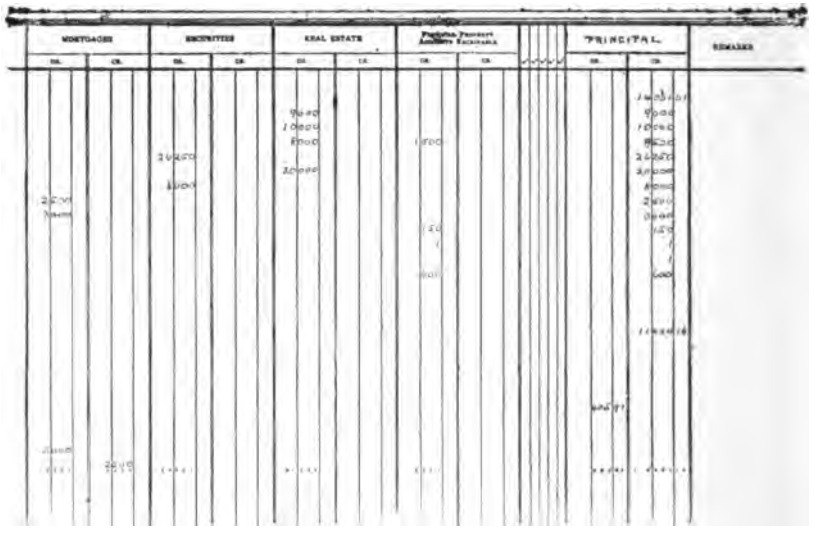


FIG. 22.—RIGHT-HAND PAGE, COMBINED TRUST JOURNAL AND LEDGER, ESTATES DEPARTMENT.

including both Cash and Investments. The cash Principal may be found by subtracting from the balance of the Principal account the total of balances under the four accounts preceding; or by subtracting from the balance of Cash account the balance of Income account; and it may be proved by combining the two operations. Some companies prefer to carry only Cash Principal in the Principal account.

The figure illustrates the plan of entering the complete inventory of an estate, at the time the property is received, in the ledger. This plan is an excellent safeguard against overlooking any item of the estate, as every item credited to Principal in the ledger must be accounted for. Items of uncertain value may be entered here at the nominal appraisal of one dollar, as shown in the figure. Whether this plan of entering the whole inventory in the ledger is better than that

Digitized by Google

DAILY TICKLER.

TRUST DEPARTMENT. Wednesday, October 4, 1905

TRUST No.	TRUST	MEMORANDA	ATTENDED TO
408	X Y & Z Ry. Co.	Bonds mature	J.G.S.
763	Strong Co.	Send statement	M.G.
34	Electric Traction Co.	See special agreement on file	J.G.S.

FIG. 23.—TICKLER.

of confining ledger entries strictly to cash transactions and keeping the inventory elsewhere, is a matter upon which opinions differ; and there is good authority for either course. There is also a difference of opinion as to whether securities of various kinds that are included in the inventory of an estate ought to be carried at an appraisal based on their market value or at their par value. There are arguments for and against either course, and the question is not always an easy one to decide.

SUNDRY FORMS FOR THE CORPORATIONS DIVISION, TRUST DEPARTMENT.

In addition to the forms for the record of transactions involving cash, the trust department has need of numerous other forms and records. Of great importance is the Tickler of this department, upon which a memorandum is made of every matter that will require attention at any future time. It is not safe to leave wholly to the memory of any individual or individuals the responsibility of attending to any

1907 July 1.

Bonds X Y and Z. Ry. Co. mature

FIG. 24.—TICKLER CARD FOR GENERAL USE.

Digitized by Google

of the details of business so important. Aside from the fact that memory is not always reliable, especially when the number of details is large, is the fact that the man upon whose memory depends attention to any matter may be away or sick or dead when the time comes for such attention. The only safe plan is to have a tickler entry made of every matter that must be attended to, including those which recur at regular intervals. The form of the Tickler is not of prime importance, so long as it serves the purpose of a reminder of the business to be done at the time it is to be done; but the Tickler entries ought to be plain enough to be understood by others than the one who makes the entries.

The responsibility of seeing that the business called for each day by the Tickler is attended to should rest upon one man, who will of course distribute memoranda to other workers as the circumstances require.

COUPONS DUE Oct. 1, 1905

Trust Number.	Name of Trust.	Also Payable At
123	D. E. and F. Ry. Co.	N. Y.

FIG. 25.—TICKLER CARD.

For those who prefer a Tickler in book form, that given in the Book of Forms issued by the Trust Company Section of the American Bankers' Association is good. It is shown in Figure 23. The book may be either bound or made on the loose-leaf plan. If bound it is made to last one year, one leaf for a day, and is indexed for months and days. If made on the loose-leaf plan, it may be indexed for years as well as for months and days, space for new leaves when needed being found by removing dead matter.

The use of cards instead of books for Ticklers is rapidly growing. The cards are placed in a case which fits into a cabinet in the vault, and is brought out each morning. It is provided with index cards for years, months and days. The case may be provided with a locking device to prevent the cards from slipping out accidentally or in the event of the case being overturned.

Digitized by Google

The card form of Tickler has many important advantages over the book form, among which are these:

For matters requiring attention at regular intervals (monthly, quarterly, semi-annually, etc.), but one card need be used for each item. When the business is adjusted for one period, the card is moved forward to the next period. Where a book is used, separate entries of the memorandum must be made for all of the periods, which in the case of a monthly item would mean twelve entries each year for perhaps a number of years. If it be urged against the card plan that the clerk entrusted with the duty may neglect to forward the card, or may misplace it, it may be urged that he may also neglect to write the memorandum in each of a number of necessary places in a book Tickler, or may write it in the wrong place.

INSURANCE TICKLER

NAME James M. Gibbons | MONTH Oct. | DAY 10 | YEAR '08

LOCATION 1312 Twentieth St.

AGENT Thompson & Co. PLACED BY

TRUST NO. 403 LOSS CLAUSE

NUMBER	COMPANY	AMOUNT BUILDINGS	AMOUNT CONTENTS	PREMIUM	YEARS	REMARKS
214119	Phoenix	2500	500	30	3yr	

FIG. 26.—TICKLER CARD.

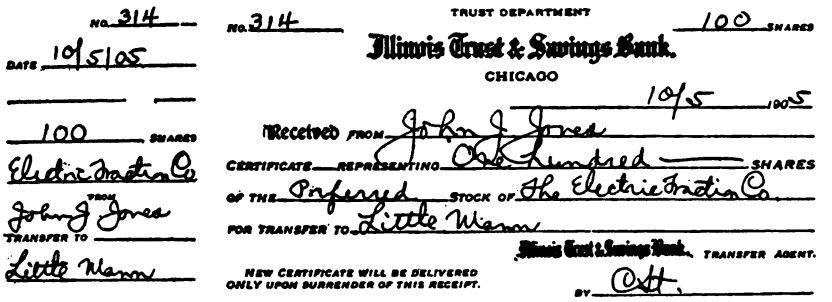
Where preliminary attention is to be given a matter some days or weeks before final attention is called for, the card is placed under the first date, and when attended to is moved to the second date. Thus, an item due on the 20th of the month may require notification on the 6th.

Where an item of business called for by the Tickler of today is for any reason not completed, it is only necessary to move the card forward to the next day in the Tickler, instead of writing a new entry in a book.

In trust work, items often need to be "tickled" years in advance. This is done easily with a card Tickler, less easily with a loose-leaf book; and is practically impossible with a bound book, without a separate book for each year, requiring a number of volumes on hand.

With the card system each item or group of items may have a separate card, which is a great advantage over the book system, where sev-

Digitized by Google


No. 314
DATE 10/5/05
100 SHARES
Electric Traction Co
FROM John J. Jones
TRANSFER TO Little Miami

No. 314
TRUST DEPARTMENT
100 SHARES
Illinois Trust & Savings Bank.
CHICAGO
10/5 1905
Received FROM John J. Jones
CERTIFICATE REPRESENTING One Hundred SHARES
OF THE Preferred STOCK OF The Electric Traction Co.
FOR TRANSFER TO Little Miami
Illinois Trust & Savings Bank. TRANSFER AGENT.
NEW CERTIFICATE WILL BE DELIVERED ONLY UPON SURRENDER OF THIS RECEIPT.
BY Cash.

FIG. 27.—RECEIPT FOR STOCK LEFT FOR TRANSFER.

eral dozen items occur on one page. There is much less liability of overlooking any item where each has a separate card than where there are a number of items on a page, some of which may be "dead" items.

The card Tickler is expansive. If a day's work involves need for two or three hundred items, the card-case will hold the cards. If a day occurs on which but one item is to be ticklerized, but one card need be inserted.

The most obvious objection to the card Tickler is the possibility that a card may be lost. The possibility of such a thing can hardly be denied; but its danger is often overestimated. The best testimony to the safety of the system is the fact that many companies which have used the card system for years have found it safe, and are wedded to the system.

In Figure 24 is shown a Tickler card for general use. It has no printing—simply lines for writing, as the character of the memoranda to be made varies so greatly that printed headings are not useful. There are certain classes of items, however, that recur so frequently that special forms may be desirable. Figures 25 and 26 illustrate two such forms, that shown in Figure 25 being for Coupons Due, and that shown in Figure 26 for Insurance Expirations.

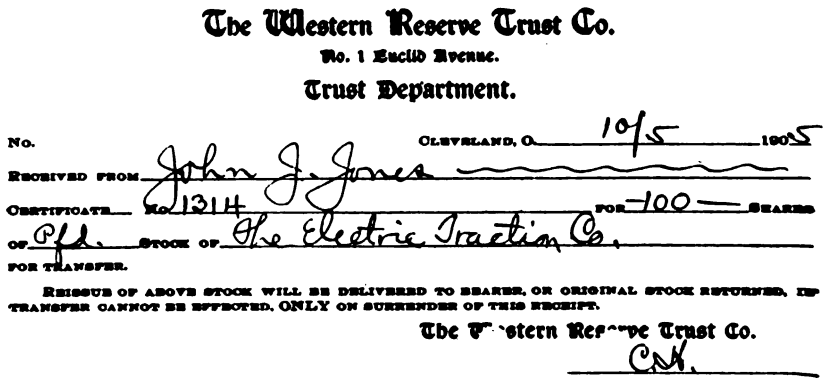
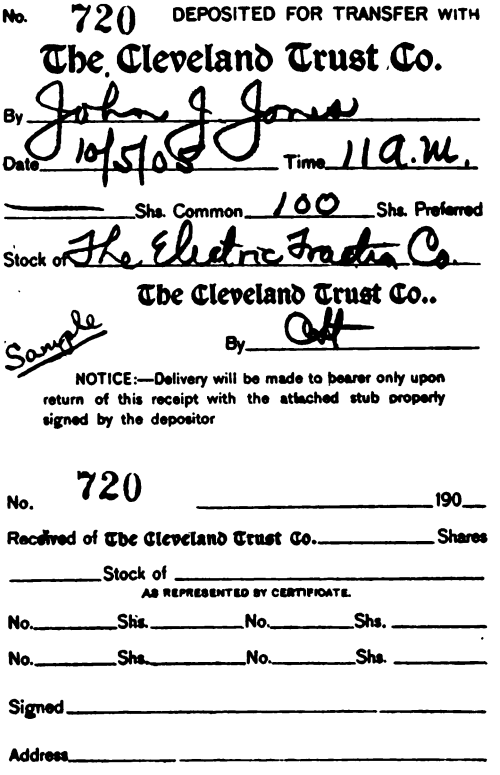

The Western Reserve Trust Co.
No. 1 Euclid Avenue.
Trust Department.
No.
CLEVELAND, O. 10/5 1905
RECEIVED FROM John J. Jones
CERTIFICATE No. 1314 FOR 100 SHARES
OF Pfd. STOCK OF The Electric Traction Co.
FOR TRANSFER.
REISSUE OF ABOVE STOCK WILL BE DELIVERED TO BEARER, OR ORIGINAL STOCK RETURNED, IF TRANSFER CANNOT BE EFFECTED, ONLY ON SURRENDER OF THIS RECEIPT.
The Western Reserve Trust Co.
CM.

FIG. 28.—RECEIPT FOR STOCK LEFT FOR TRANSFER.

Digitized by Google

Forms for the Transfer of Stock.

When a stock certificate is brought to a transfer agent for transfer, a receipt for same is given to the person who brings it. Figures 27, 28 and 29 show different forms for this receipt. The receipt shown in Figure 27 is provided with a stub. In the use of the two others, a copy is made by means of a carbon sheet, the copy being taken on paper of a different color from the original. These receipts are for temporary use only, and are to be surrendered when the new certificate is delivered. The new owner of the stock is then to sign the receipt on



No. 720 DEPOSITED FOR TRANSFER WITH

The Cleveland Trust Co.

By John J. Jones

Date 10/5/08 Time 11 A.M.

_____ Shs. Common 100 Shs. Preferred

Stock of The Electric Traction Co.

The Cleveland Trust Co.

Sample By _____

NOTICE:—Delivery will be made to bearer only upon return of this receipt with the attached stub properly signed by the depositor

No. 720 _____ 190__

Received of The Cleveland Trust Co. _____ Shares

_____ Stock of _____

AS REPRESENTED BY CERTIFICATE.

No. _____ Shs. _____ No. _____ Shs. _____

No. _____ Shs. _____ No. _____ Shs. _____

Signed _____

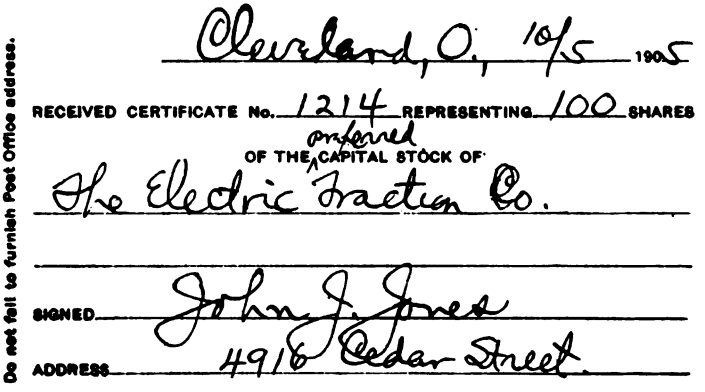
Address _____

FIG. 29.—RECEIPT FOR STOCK LEFT FOR TRANSFER.

the stub of the certificate book. It very often happens, however, that the owner does not himself come for the certificate, but sends a messenger. In such case, the messenger's receipt is taken, and with the certificate is sent a receipt to be signed by the owner. Forms for this receipt are shown in Figures 30 and 31. It is preferably of small size, not over four by two or three inches, as it must be pasted on the stub of the certificate book. This transaction is evidently open to the objection that the messenger sent for the stock may be irresponsible or

Digitized by Google

not well known to the company which acts as transfer agent, and the company may hesitate or refuse to entrust to him the certificates representing great value. The form of receipt shown in Figure 29 is designed to meet this difficulty. To the receipt from the transfer agent is attached a stub containing a receipt which is to be signed by the owner of the stock or by some person known to the transfer agent as being responsible; and without such signature the new certificate will not be delivered. This plan protects the transfer agent and works no inconvenience to the owner of the stock. The receipt shown in Figure 28


Cleveland, O., 10/5 1905

RECEIVED CERTIFICATE No. 1214 REPRESENTING 100 SHARES
ordered
OF THE CAPITAL STOCK OF
The Electric Traction Co.

SIGNED John J. Jones
ADDRESS 4916 Cedar Street.

Do not fail to furnish Post Office address.

FIG. 30.—RECEIPT FROM OWNER OF STOCK.

has a good point in the wording at the bottom—"Reissue of above stock will be delivered to bearer, or original stock returned if transfer can not be effected, only on surrender of this receipt." It sometimes occurs that the transfer can not be effected, and in such case it is well that the transfer agent should not appear to be committed to the duty of making the transfer.

Bowling Green Trust Co.,
Standard Oil Building,
26 BROADWAY.

NEW YORK, 10/5 1905

RECEIVED from the BOWLING GREEN TRUST COMPANY, the following certificate of stock of the Electric Traction Co.

Nos. 1214 for 100 shares,
in the name of Little Mann

Name. Little Mann

Address, 4916 Cedar St

FIG. 31.—RECEIPT FROM OWNER OF STOCK.

Digitized by Google

The transfer clerk now cancels the certificate handed in for transfer, after satisfying himself that the transfer is properly authorized, issues a new certificate or certificates, and makes the proper entries on the Stock Transfer Book, a common form of which is shown in Figure 32. Some companies have this book bound in permanent form with an index either in the book or in separate form. Others use the loose-leaf plan, which is better, the index being in the shape of tabs on the edges of the leaves. The record of transfers for any number of companies—up to the capacity of the binder—are thus kept under one cover. But the plan is sometimes followed of having a separate Stock Transfer Book for the stock of each concern for whom the company acts as transfer agent. The general form for the pages in such case does not differ materially from that shown in the figure.

Figure 32 illustrates a customary way of making the transfer entries. The first entry shows the cancellation of certificate No. 619 for fifty shares in the name of John Doe, and the issuance of certificate

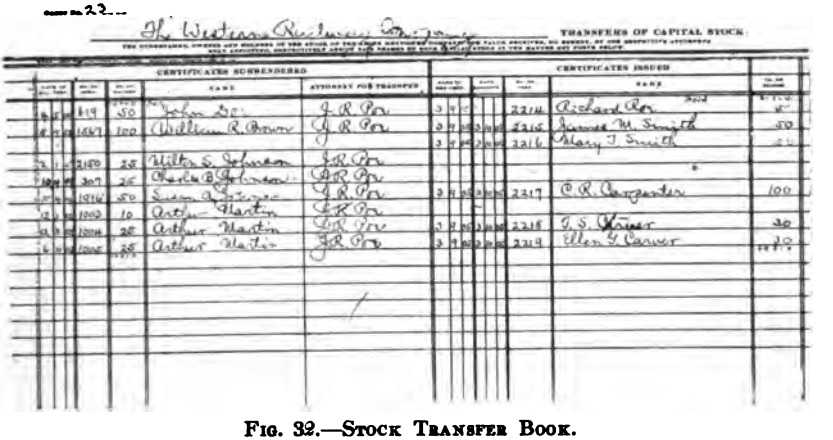


FIG. 32.—STOCK TRANSFER BOOK.

No. 2214 for the same number of shares in the name of Richard Doe. The record of the new certificates is entered opposite that of the old one cancelled. The second entry shows the cancellation of a certificate for 100 shares, and the issuance of two new certificates for fifty shares each. The third entry shows the cancellation of three certificates for a total of 100 shares, and the issuance of one certificate for the 100 shares. The fourth entry is a little more intricate. Certificates for ten and twenty-five shares, respectively, are cancelled; the ten shares and twenty of the twenty-five shares are transferred to a new certificate for thirty shares. The remaining five shares are added to the twenty-five shares of the next certificate cancelled, and issued in a new certificate for thirty shares. The effort is to keep the record of certificates issued opposite that of the cancelled certificates from which the shares are transferred, so that the source of each certificate may be plainly shown.

Digitized by Google

STOCK TRANSFER BOOK.

Certificate Cancelled.		Certificate Issued.		Ledger Folio.
No. Certificate.	No. Shares.	No. Certificate.	No. Shares.	
134	100	1917	100	75

COMPANY.

No. 1 100 Shares.

For Value Received, the undersigned hereby assigns and transfers unto Susan Henderson One Hundred Shares of the COMMON STOCK of COMPANY, of One Hundred Dollars each.

THOMAS HOWARD.

29 January. 1901.

By SYDNEY SMITH. Atty.

FIG. 33.—TRANSFER REGISTER.

The printed heading at the top of the page reads as follows: "The undersigned, owners and holders of the stock of the above-mentioned company, for value received, do hereby, by our respective attorneys duly appointed, respectively assign said shares of such capital stock in the manner set forth below." The actual attorney for the transfer in each case is the clerk who does the work, and who signs his name in the space headed "Attorney for Transfer," opposite the entry of each transfer.

The transfer books used by various companies show some slight changes from this form. Some omit the column for the "Date of Old Certificate," since such date may be easily found if wanted, by turning back in the Register to the place where the issue of the certificate is recorded in numerical order. Some omit the column "Date Registered." Some add, at the right of the page, a column for the addresses of the persons in whose names the new certificates are issued; but it is more common to enter these addresses on the stubs of the certificate book, whence they are copied into the ledger. There is a difference of opinion as to whether the form of assignment at the top of the page, and the signature of the clerk who acts as attorney for the transfers, really add anything in the way of legal safeguard.

STOCK REGISTER.

Stock of the Western Railway Company Amount of Issue $5,000,000.00 Value per Share $100.00

CERTIFICATES CANCELLED						CERTIFICATES REGISTERED											
Number	Shares	Name	Date of Assignment			Date of Certificate			Name	Number	Shares	Date of Certification		
			Month	Day	Year	Month	Day	Year				Month	Day	Year
619	100	John Doe	2	10	05	2	9	05	Richard Roe	2214	100			
1567	100	William R. Brown	2	10	05	2	9	05	James M. Smith	2215	100	10	5	05
			2	10	05	2	9	05	Mary J. Smith	2216	100			
2160	25	Milton S. Johnson												
207	25	Charles E. Johnson												
1916	50	Susan A. Johnson	2	10	05	2	9	05	C. R. Carpenter	2217	100			
1003	10	Arthur Martin												
1004	25	Arthur Martin	2	10	05	2	9	05	J. S. Carver	2218	100	9	14	05
1005	25	Arthur Martin	2	10	05	2	9	05	Ellen G. Carver	2219	100			

FIG. 34.—FORM FOR THE REGISTERING OF STOCK.

Digitized by Google

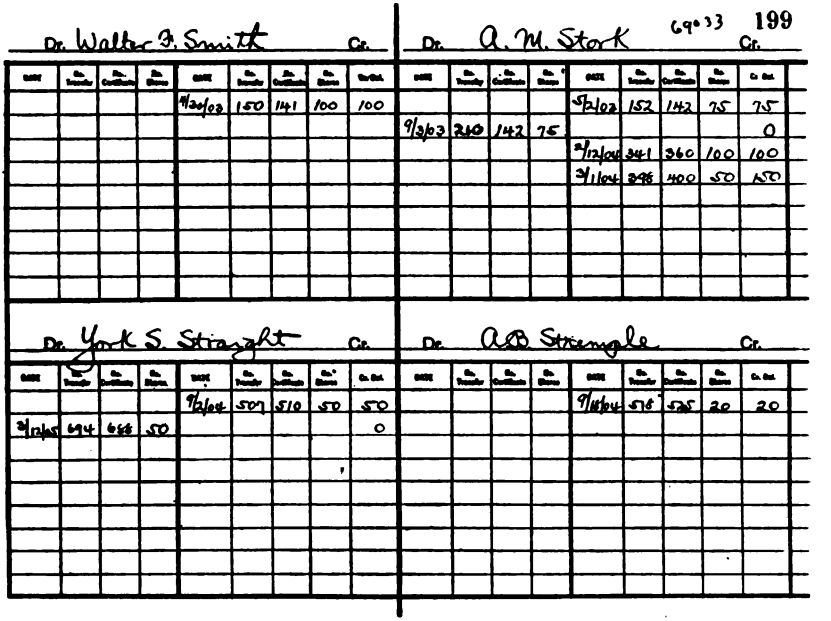


FIG. 35.—STOCK LEDGER.

In Figure 33 is given a form of stock transfer book which is recommended over the preceding form by the committee which compiled the Book of Forms issued by the Trust Company Section of the American Bankers' Association. The book is made with four blanks to a page, each form to be numbered, from 1 upward.

The form used by a Registrar to register transfers of stock is very similar to the Stock Transfer Book, as will be seen by an examination of Figure 34, which shows a usual form of Register. With the exception of the dates of the old certificates (which some companies omit) and the signatures of the attorney for transfer, the entries in Figure 32 are reproduced in Figure 34. In the last column in Figure 34, headed "Date of Cancellation," is entered opposite each certificate the date when it is cancelled—if it is cancelled. Some Registrars, however, prefer to keep a stock ledger just as the Transfer Agent does. In such

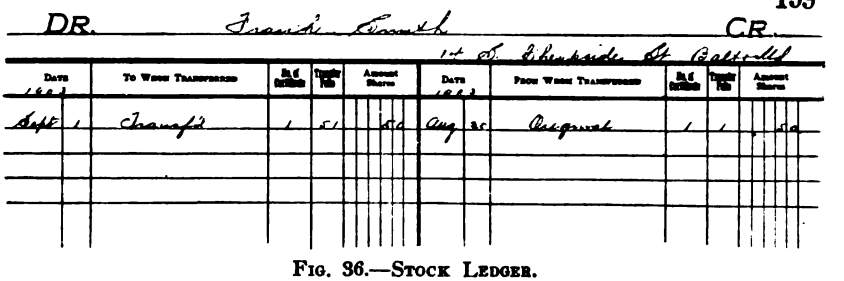


FIG. 36.—STOCK LEDGER.

Digitized by Google

case, the column for "Date of Cancellation" is not needed, and is omitted on the Register. The essential function of the Registrar being to see that there is no over-issue of stock, it is important that the footings of the columns headed "Shares" be well kept up, and that the difference between the footings be never greater than the number of shares of the stock that should be outstanding. After the full amount of the stock has once been issued—as is supposed to be the case in the figure,

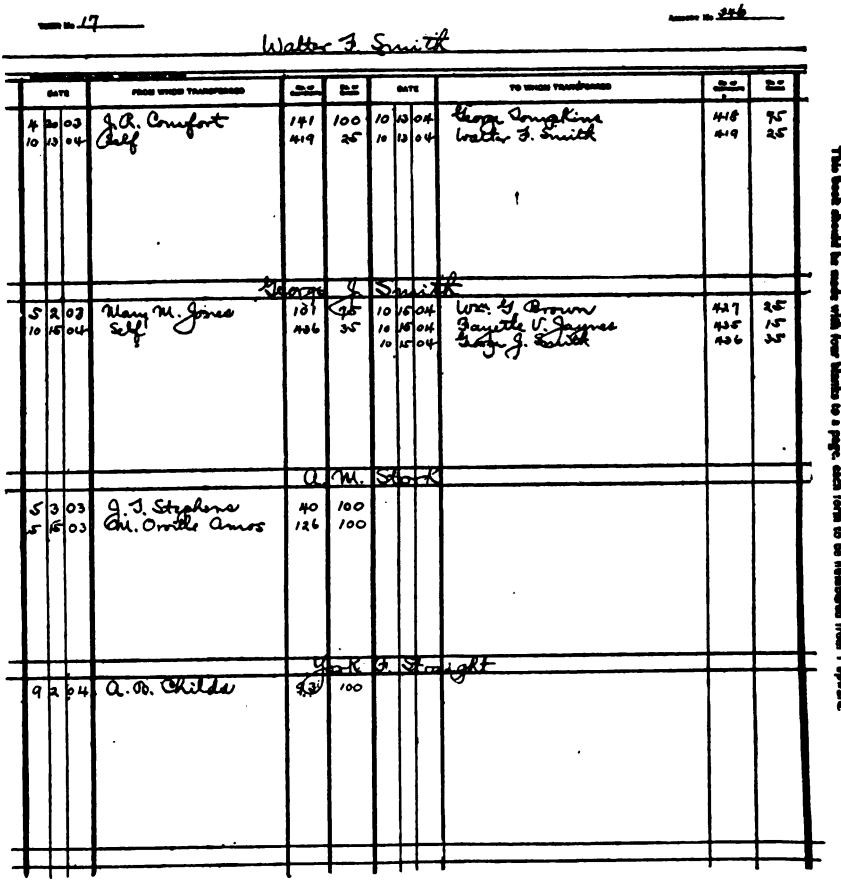


FIG. 37.—STOCK LEDGER.

50,000 shares being outstanding—over-issue may of course be guarded against by the balancing of the debits and credits of each transfer, as explained under Figure 32.

It will be seen that the Stock Transfer Book is of the nature of a journal, giving an account of the changes in the ownership of the shares of stock. As the Transfer Agent must be in position to know at any time the present owners of the stock, and the exact number of shares

Digitized by Google

owned by each, it is necessary to keep a stock ledger, four different forms of which are shown in Figures 35, 36, 37 and 38. The forms shown in Figures 35 and 36 are used in bound books, each corporation having a separate book. That shown in Figure 37 is made on the loose-leaf plan. That in Figure 38 is a card ledger form. These forms, all of which are in actual use today, illustrate the different methods of different companies. Two of the forms provide for information as to the person from whom shares are transferred and as to the person to whom they are transferred. The other forms leave this information to be obtained when wanted from the Stock Transfer Book. Two of the forms provide for balance columns, which is a great convenience. In the use of the card form, Figure 38, a case is provided for the ledger cards of each trust, with index cards, and the accounts of shareholders

NAME A. M. Stork TRUST NO. 417

ADDRESS 321 Maple St., Cleveland, O.

CERTIFICATES SURRENDERED					CERTIFICATES ISSUED					
DATE			NO. CTF	SHARES	DATE			NO. CTF.	SHARES	BALANCE
					10	14	03	218	100	100
					12	4	03	257	50	150
					3	12	04	322	25	175
5	10	04	257	50						125

FIG. 38.—STOCK LEDGER (CARD).

are thus kept in alphabetical order, a thing which can be done only approximately in bound ledgers. Figure 35 provides for four accounts on each page; Figure 36 for but one account. Four accounts may be carried in Figure 37, or the whole page may be used for one or two accounts, as circumstances require. In the card form, Figure 38, there is of course one account to a card, and a second card may be added when needed. The use of the card form is growing rapidly. The book form shown in Figure 35 has been widely used in New York and elsewhere.

In the handling of a trust in which the company acts as trustee under a bond issue, the first entries are made, as already stated, in the Trust Register, such entries giving an outline of the provisions contained in the deed of trust. The next entries that need to be made are in the

Digitized by Google

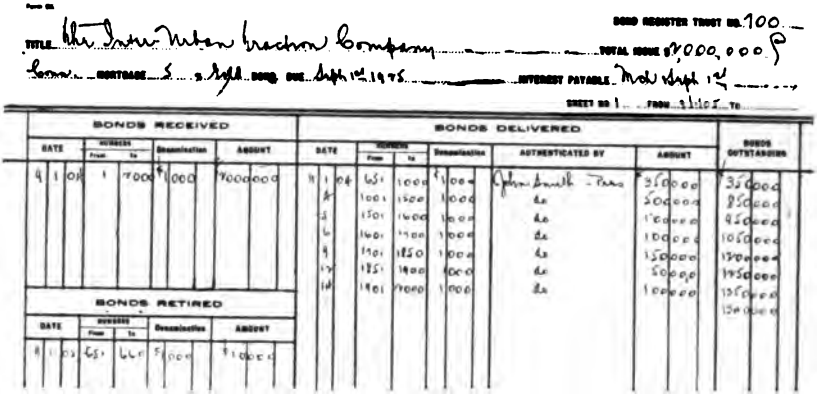


FIG. 39.—BOND REGISTER, FIRST PAGE.

Tickler—memoranda of interest periods, due dates of the bonds, sinking fund payments, date of record of chattel mortgages, if any, and memoranda of miscellaneous provisions to be attended to periodically. When the bonds are engraved and duly signed by the proper officers of the company issuing them, they are turned over to the trust company which acts as trustee, and record of their receipt is then made in the Bond Register, a form of which is shown in Figures 39 and 40. At the top of the first page (Figure 39) is given certain general information regarding the bond issue. Under the heading "Bonds Received," a record is made of the bonds turned over to the trustee. As the bonds are authenticated by the trustee and delivered on order of the issuing company, record of such deliveries is made under the heading "Bonds Delivered;" and the last column on the page shows the total number of bonds outstanding at any time. When, in the course of time, any of the bonds are retired, record is made under the heading "Bonds Retired," and the amount of bonds retired is deducted from the last balance shown in the column headed "Bonds Outstanding." Thus, in Figure 39, prior to the retirement of $10,000 bonds on September 1, 1905, the balance of bonds outstanding is shown to be $1,350,000. By the retirement of the $10,000 bonds, the total outstanding is reduced

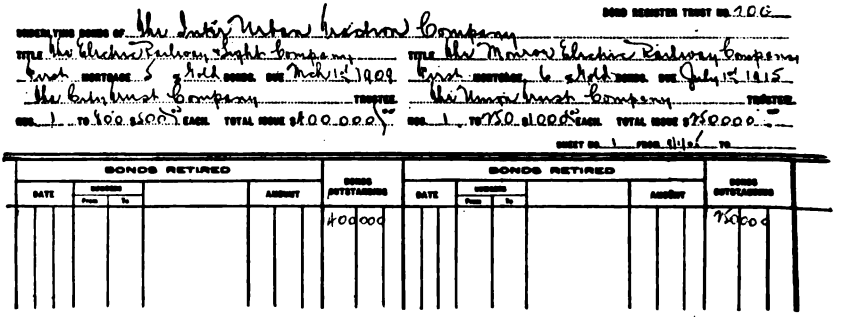


FIG. 40.—BOND REGISTER, SECOND PAGE.

Digitized by Google

to $1,340,000. This record provides the data from which may be learned the serial numbers and denominations of all bonds outstanding at any time and of the bonds remaining unauthenticated in the hands of the trustee. At the left-hand lower corner of the page (not shown in the figure), space is provided for the record of bonds cremated, if any. The advisability of cremating (or burning) retired bonds under any circumstances is a matter of dispute. If done at all, it is done in the presence of officers of the issuing company and of the trustee company, all of whom sign in duplicate a "Cremation Certificate," their signatures being duly witnessed. The Cremation Certificate reads as follows: "This is to certify that we, the undersigned, have this day, in the presence of each other, destroyed the following-described securities by burning the same to ashes, viz." Thereafter follows a detailed description of the securities burned.

It often happens that there are other bonds underlying a given issue of bonds, and in this form of Bond Register the reverse side

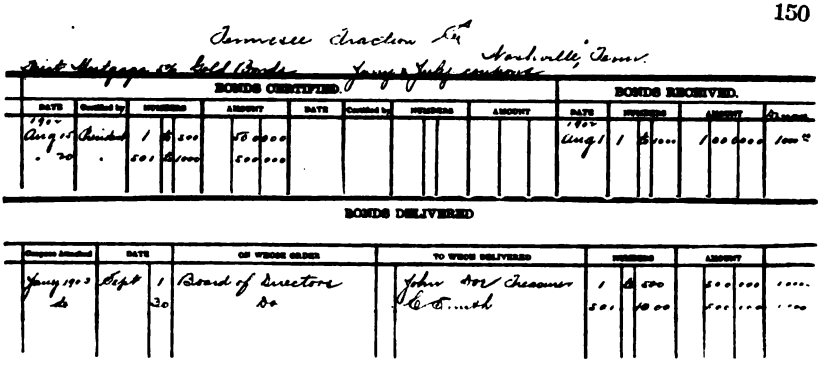


FIG. 41.—BOND REGISTER.

of the leaf, shown in Figure 40, is arranged for the records of the underlying bonds, if any. The entries show that at the time of the issue of the $2,000,000 bonds of the Inter-Urban Traction Company there were outstanding two series of underlying bonds, amounting to $400,000 and $250,000, respectively. As these underlying bonds are retired, record is made in the spaces shown. This book is made on the loose-leaf plan.

Figure 41 shows another form of Bond Register, used by an eastern company. The chief difference between this and the form shown in Figure 39 is that in this form provision is made for the record of bonds certified, in addition to the record of bonds delivered. This form could be improved by the addition of a column showing the amount of bonds outstanding, although such balance may of course be figured from the data given. This form is made up in a permanently bound book, and the opposite folio, which has a simple record journal ruling, is used for memoranda of bonds retired and of any other matters of importance

Digitized by Google

FIG. 42.—BOND REGISTER WITH ABSTRACT OF TRUST DEED.

affecting the account. The same form may of course be adapted to use in a loose-leaf binder.

Figure 42 shows a form of Bond Register which includes space for an abstract of the trust deed under which the bonds are issued. With

100

BONDS

OF THE

Inter-urban Traction

COMPANY

Nos. 201 to 300 inclusive

Signature O K R. M. S.

Seal O K R. M. S.

Numbers O K R. M. S.

Certificate O K A. K. R.

Count O K A. K. R.

FIG. 43.—MEMORANDUM CARD FOR PACKAGES OF BONDS.

some slight changes in the wording at the left of the page, this is the form given in the Book of Forms issued by the Trust Company Section of the American Bankers' Association. At the bottom of the page (not shown in the figure), provision is made for a record of the names of the

Digitized by Google

officers who executed the deed of trust for the mortgagor company and for the trust company, and for the date when all bonds are reported redeemed. The right half of the page calls for about the same information as that called for in Figure 41.

Before certifying and delivering bonds, the trust company must of course be certain that everything necessary has been attended to. A convenient way of handling the work is to have the bonds done up in packages, and a card like that shown in Figure 43 attached to each package. Before the package is tied up, trusted clerks examine the bonds for particular features and certify to their correctness by placing their initials on the card as shown in the figure. Thus, "R. M. S." has satisfied himself by examination of the bonds that the signature of the proper officer of the corporation and the seal of the corporation appear on each bond, and that the bonds and coupons are consecutively numbered as stated on the card. "A. K. R." has examined the bonds and found that the certificate of the trust company as trustee has been signed on each bond and that the count of 100 bonds in the package is correct.

REQUISITION FOR BONDS.

Chicago, Ill. 3/7 1905

To the Blank TRUST COMPANY OF Chicago, Trustee.

Please authenticate under the 1st Mortgage of this Company, dated Sept 1 — 1905, 1000 Bonds $1000.00 each, Nos. 1 to 1000 inclusive, bearing coupon due Mch. 1, 1906 and subsequent thereto, and deliver the same to the order of John Napoleon, Trus

The Inter Urban Traction Co.

$1000,000.00

By G. W. Washington
President.

FIG. 44.—REQUISITION FOR BONDS.

Some companies have a blank Requisition for Bonds, which the corporation issuing the bonds is expected to fill out and hand to the trust company when it desires some of its bonds authenticated and delivered. A form for such a requisition is shown in Figure 44. This matter is, however, often attended to by letter or even by telephone, and in any event, the bonds are of course delivered in accordance with the provisions of the deed of trust. When the bonds are delivered, the trust company takes a receipt for them, in a form like that shown in Figure 45.

With reference to the matter of the payee, bonds are either registered or coupon bonds. Registered bonds, strictly so-called, are rarely issued in this country, except by the National Government. Coupon bonds, both principal and interest, are payable to bearer; but provision is usually made for the registering of such bonds as to principal or interest, or both, at the option of the holder. The trust company, acting

Digitized by Google

Received, New York, Sept. 1 1904, from the BOWLING GREEN TRUST CO., New York, Trustee, 500 Bonds of The Inter-Urban Traction Company $1000.00 each, Nos. 1 to 500 inclusive, duly authenticated by said Trust Company as Trustee, under the First Mortgage of said Company, dated July 1, 1904. Coupon No. 1 of Jan. 1, 1905 and subsequent thereto attached.

$500,000.- By The Inter-Urban Traction Co. John Doe President

FIG. 45.—RECEIPT FOR BONDS.

as trustee under bond issues, must therefore keep a Record of Bonds Registered, a common form of which is shown in Figure 46. Other forms of this record provide a separate column for the address of the payee, and some provide a column for the name of the officer of the trust company by whom the bonds were registered. If the bonds are registered bonds, the bond numbers should appear in the record in

REGISTERED BONDS OF The Inter-Urban Traction Company Trust No. 329

Date of Registry	No. of Bond	Denominat.	Name	Remarks	Date of Registry	No. of Bond	Denominat.	Name	Remarks
Mch. 3, 1904	417	$1000	James M. Smith 493 Broadway N.Y.						

FIG. 46.—RECORD OF BONDS REGISTERED.

consecutive order; but if coupon bonds, only a few of which may be registered, such order is not important. The book should be made on the loose-leaf plan, to avoid waste of space where only a few bonds of a given issue are registered.

Figure 47 represents a card form for a Record of Bonds Registered. The cards are kept in a case, an index card for each corporation whose

The Inter-Urban Traction Co., TRUST No. 329

NAME John J. Jones REGISTERED AS TO Principal CARD No. 1

ADDRESS 1604 Twentieth St. DENOMINATION OF BONDS, $1000.00

Date	Bonds Transferred: Transferred to	Bond Nos.	Date	Bonds Registered: Transferred from	Bond Nos.	Balance
8 29 05	Wm Smith.	100	9 25 03	Bearer	100	$1000
			3 20 04	John Doe	50	2000
						1000

FIG. 47.—RECORD OF BONDS REGISTERED.

Digitized by Google

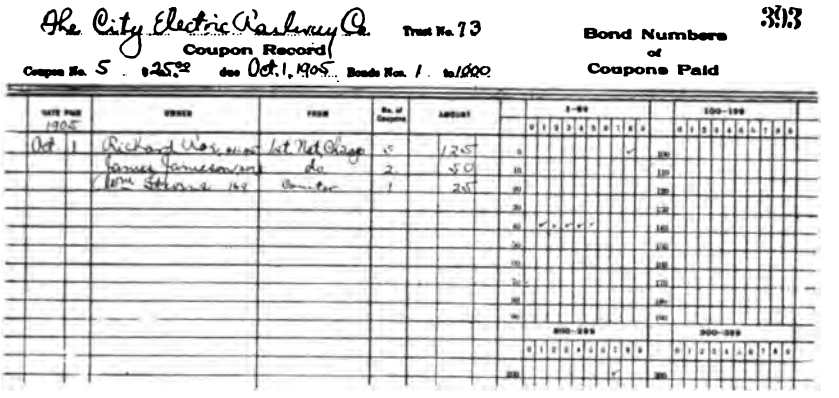


FIG. 48.—COUPON RECORD.

bonds are registered being provided. After the index card are inserted the individual cards in alphabetical order of the names of the holders. This form has the advantage of showing both the transferer and the transferee of the bonds.

In the handling of coupon bonds the trust company is called upon to act as agent for the payment of coupons as they mature, and therefore has need of a coupon record, a form of which is shown in Figure 48. In Figure 12 has been shown a form combining a coupon record with a coupon ledger account. As there stated, the combining of the two records is a great convenience and time-saver. Many companies, however, keep the two records separately. It will be seen that the form for the record of bond numbers of coupons paid at the right of Figure 48 is identical with form at the right of Figure 12, and its use has there been explained. It need be added here only that the use of this form is a decided protection against forgeries, as it shows at a glance whether the coupon from a given-numbered bond has been paid. The balance of Figure 48 is self-explanatory. It is not always possible to learn the name of the owner of the coupons presented, especially when a large number of coupons comes through another bank, but it is of advantage when possible. Although coupons are payable to bearer,

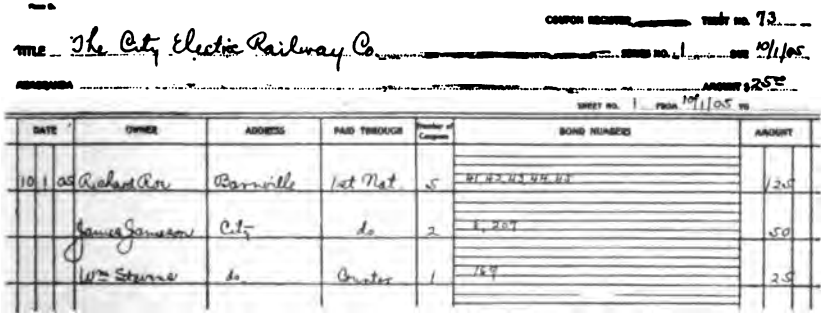


FIG. 49.—COUPON RECORD.

Digitized by Google

many companies make an effort to learn the name of the person who presents coupons for payment at the counter.

It is often of great advantage for the trust company to have a list, even if not complete, of the holders of the securities. If a refunding plan is to be carried out, or when under the sinking fund provisions, the funds held are to be used for the retirement of bonds at certain periods, if a list is at hand, the trustee may communicate direct

TRUST DEPARTMENT.

Illinois Trust & Savings Bank.

CHICAGO, Oct. 20 1905

The Inter-Urban Traction Co.

Chicago

Ill.

GENTLEMEN:—We send you herewith 328 Coupons, for $25.00 each, amounting to $8200.00, from bonds of your Company, as set forth in receipt hereto attached, duly paid and cancelled by us.

You will please have said receipt properly signed, detached and returned to this Bank.

Yours truly,

ILLINOIS TRUST & SAVINGS BANK.

$8200.00

TRUST DEPARTMENT.

Illinois Trust & Savings Bank.

CHICAGO

Oct. 21 1905

Received of ILLINOIS TRUST & SAVINGS BANK, the following:

328 Coupons No 7 for $25.00 each, for interest due Oct. 1, 1905 on bonds of The Inter-Urban Traction Co. numbered 17, 18, 23, 74, 101 to 200 inclusive, 764, 765, 813, 820 to 879 inclusive, 890 to 925 inclusive, 1101 to 1205 inclusive, 1379 to 1392 inclusive, 1406 to 1410 inclusive, 1453.

duly paid and cancelled by said Bank

The Inter-Urban Traction Co.

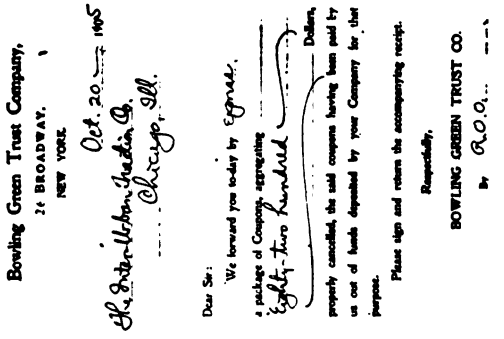
By Ralph R. Rate, Treas.

FIG. 50.—COUPON ENCLOSURE FORM AND RECEIPT.

Digitized by Google

with the holders of the bonds, instead of relying upon advertisements. If such a list of holders is obtained, however, it must, of course be used with extreme care.

Figure 49 shows another form of Coupon Record, which differs from that shown in Figure 48 chiefly in the manner of recording the bond numbers of coupons paid. This form shows more clearly the coupons presented by each customer, but makes it much more difficult to learn whether a given coupon has been presented.



Bowling Green Trust Company,
24 BROADWAY,
NEW YORK.

Oct. 20 1905

The Inter-Urban Traction Co.
Chicago, Ill.

Dear Sir:

We forward you to-day by Express, a package of Coupons, aggregating Eighty-two hundred Dollars, properly cancelled, the said coupons having been paid by us out of funds deposited by your Company for that purpose.

Please sign and return the accompanying receipt.

Respectfully,
BOWLING GREEN TRUST CO.
By R.O.O.

Description of Coupons	Coupon Due		Interest No.	Number of Coupons	%	Amount	Total
201 to 300 incl.	10/1	05	7	100	25	2500	
307, 308, 319-325, 328, 394, 395	10/1	05	7	12	25	300	
418 to 475 incl., 480 to 496 incl.	10/1	05	7	75	25	1875	
501 to 580 incl., 587, 588, 590.	10/1	05	7	83	25	2075	
1001 to 1069 incl.	10/1	05	7	69	12.50	862.50	
1112, 1118, 1137, 1143, 1144	10/1	05	7	5	12.50	62.50	
307, 308, 319-325, 328, 394, 395	4/1	05	6	12	25	300	
307, 308, 319-325.	10/1	04	5	9	25	225	8200

Received Oct. 21 1905 from the Bowling Green Trust Co. of New York, the above described coupons aggregating Eighty-two hundred Dollars the said coupons having been paid by Bowling Green Trust Co. out of funds deposited by this Company for that purpose.

The Inter-Urban Traction Co.
By Ralph R. Rote, Treas.

FIG. 51.—COUPON ENCLOSURE FORM AND RECEIPT.

At convenient intervals, or upon the request of the corporation issuing the bonds, the coupon clerk returns the paid coupons (which have been cancelled as paid). Trust companies usually have a printed form for such remittance, consisting of a letter notifying the corporation of the remittance, accompanied by a receipt to be returned to the trust company. Two such forms, which explain themselves, are shown in Figures 50 and 51. The form shown in Figure 51 is of advantage where coupons of different denominations or of different numbers are to be sent in the same letter, as often happens.

Digitized by Google

A trust company needs some means of keeping record of the fees charged to and paid by its customers in the Corporations Division of the trust department. In the Estates Division of the trust department,

FEE LEDGER

NAME The Inter-Urban Traction Company TRUST NO. 100 CARD 1

ADDRESS BILL REND'D

DATE			DESCRIPTION	LEDGER	DEBIT	CREDIT	BALANCE
9	1	04	Services certifying $2,000,000 bond issue		$7000		
			Recording trust deed in Union County		12		7012
	15		Cash rec'd			7012	0
3	1	05	Services paying coupons #1 $33750 @ 1/2%		8438		8438
4	1	05	Cash rec'd			8438	0

FIG. 52.—FEE LEDGER.

fees are usually charged on the regular accounts. Figure 52 shows a form of Fee Ledger. This is a card ledger, the cards being kept in a case, arranged alphabetically with index cards.

INCOMING REGISTERED MAIL AND EXPRESS.

DATE			CONSIGNOR AND ADDRESS	DESCRIPTION	VALUE	VIA	OPENED BY	CHG'S	CHARGE TO
6	24	05	B. J. Grover Co Buffalo, N.Y.	Bond $3007 Trust R.R. Co.	1000	Reg. Mail	B.C.R.		
			Nat. Exchange Bank New Orleans La.	134 bonds River New Co	100000	Adams X	B.C.R.		

FIG. 53.—RECORD OF INCOMING MAIL AND EXPRESS.

The record of registered mail and express received by and sent from a trust company concerns all departments of the institution; but the trust department is so much concerned with the record that it seems

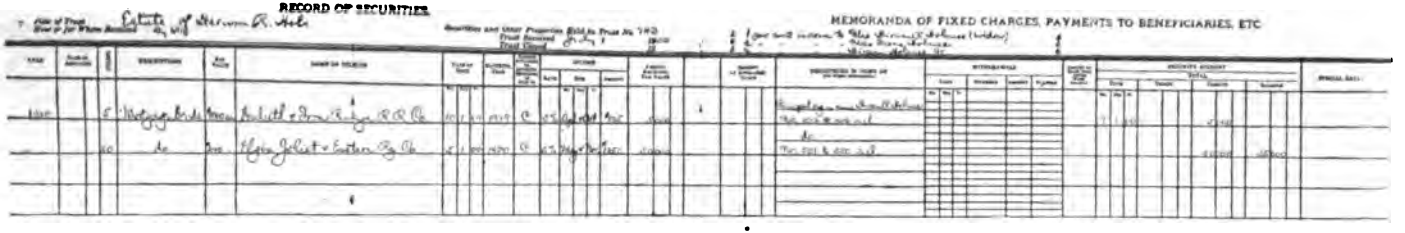
Registered Mail, and Express.

DATE			CONSIGNOR AND ADDRESS	DESCRIPTION	VALUE	SEALED BY	VIA	CHG'S	✓	CHARGE TO
6	24	05	Blank Trust Co. New York	100 bonds C.R. & M. Co.	50000	A.B.M. R.S.T.	U.S. Express	[illegible]		
			E R Watson 39 14th St. San Francisco	Cert 39 sh. B.C.R. Co	1000	A.B.M. R.S.T.	Reg.	14	✓	Exp.
			J M James 1814 Quaker St. Troy, N.Y.	3 bonds N.Y.C. R.R.	3000	A.B.M. R.S.T.	Reg. and Ins.	[illegible]		J.M.J.

FIG. 54.—RECORD OF OUTGOING REGISTERED MAIL AND EXPRESS.

best to include this form here. Figure 53 shows a form for the record of incoming packages, and Figure 54 a form for outgoing packages. These records are very valuable if not indispensable.

Digitized by Google


RECORD OF SECURITIES.

MEMORANDA OF FIXED CHARGES, PAYMENTS TO BENEFICIARIES, ETC.

FIG. 56.—RECORD OF SECURITIES.

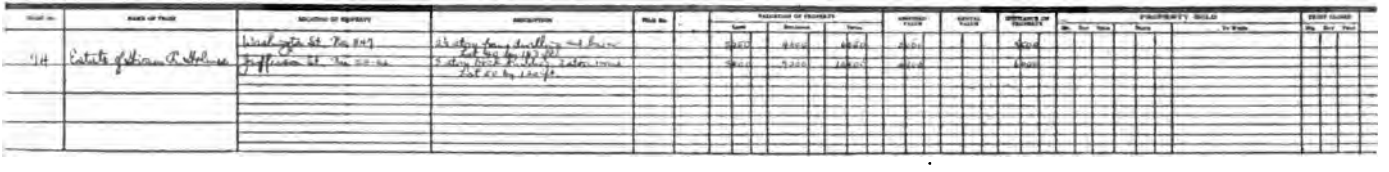

REAL ESTATE RECORD.

FIG. 68.—REAL ESTATE RECORD.

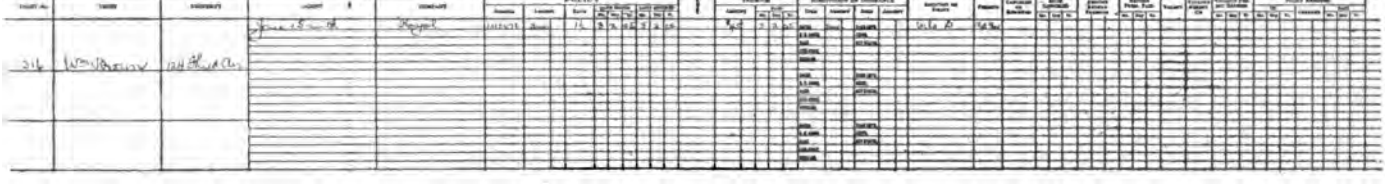

INSURANCE RECORD.

FIG. 74.—INSURANCE RECORD.

Digitized by Google

SUNDRY FORMS FOR THE ESTATES DIVISION OF THE TRUST DEPARTMENT.

For the Tickler of this division of the trust department, the various forms already shown[72] are adapted, the card forms being the most convenient. Other cards may easily be added, suited to special needs. Figure 55 shows a form that is in use, and is very convenient for tickling items of income regularly recurring, and for other uses. The arrangement for dates at the top of the card saves much time and writing. Where an item is to be attended to on the first of each month, for example, the figure 1 is inserted under the name of each month; after the item has been attended to for one month, the card is moved forward in the tickler case to the next month.

An important form is the Record of Securities held in the various trusts. Figure 56 shows, with some slight changes, the form for this

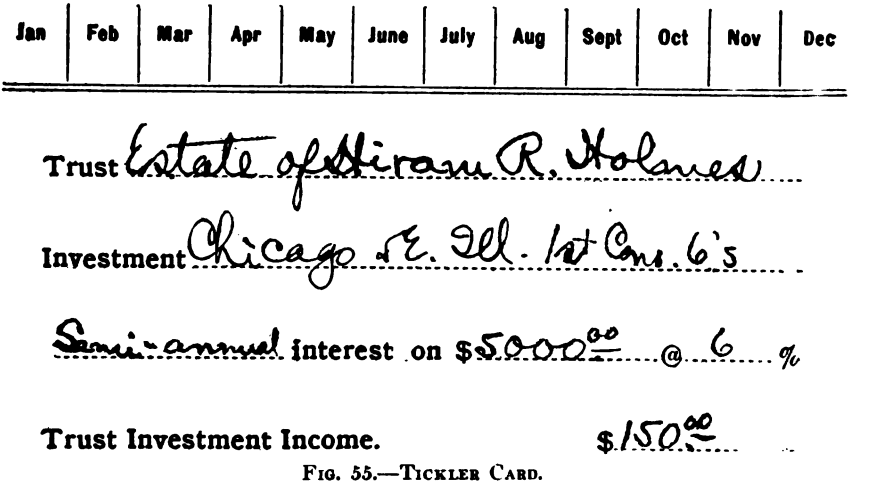


FIG. 55.—TICKLER CARD.

record given in the Book of Forms of the Trust Company Section of the American Bankers' Association. One double page, or more if necessary, is devoted to the securities of each trust. This book is designed to serve as the ledger for the securities account, in the space provided at the right-hand side of the form. Certain memoranda are called for at the top of the form that are usually included either in the trust register or in the memorandum page at the beginning of the account for each trust in the Trust Ledger. They are not needed in all of these records, and will naturally be omitted here if given elsewhere. The size of the pages is 21¾ by 18 inches. The book is provided with an index at the front; or a separate index may be used.

Many companies keep the Record of Securities in card form. Figures 57, 58, 59 and 60 show the set of card forms used for this purpose by

72 Figures 23-26 inclusive.

Digitized by Google

TRUST Estate of Hiram R. Holmes INTEREST PERIODS May & Nov.
Missouri, Kansas and Texas Ry. 1st. Ext. 5% BONDS
DATE OF BONDS May 1, 1900 DATE OF MATURITY May 1, 1944

Date Purchased 1904		Numbers	No. of Bonds	Total Par Value	Cost	Carried on Books	Date Sold		Sold to & Numbers	Price	Par Value		Carried on Books		Profit or Loss	
1	30	227-241	5	5000	99½	4962	50									

FIG. 57.—CARD RECORD OF SECURITIES—BONDS.

TRUST Estate of Hiram R. Holmes
New York Chicago and St. Louis Ry. 1st ~~COMMON~~ PREFERRED STOCK
DIVIDEND PERIODS March 1 and Sept. 1 PAYABLE AT New York

Date Purchased 1904		No. of Certificates	Shares in Each	Par Value	Cost	Carried on Books	Date Sold	Sold to & Numbers	Price	Par Value	Carried on Books	Profit or Loss
1	30	A2943	30	3000	108	3240						

FIG. 58.—CARD RECORD OF SECURITIES—STOCK.

REAL ESTATE LOAN No. 4
TRUST Estate of Hiram R. Holmes
LOANED TO James J. Smith
ADDRESS 2419 Commonwealth Ave.
TIME 1 year RATE 6% PAYMENTS OF INTEREST Quarterly

DATE			AMT. OF NOTE	PAYMENTS	DATE			PAID TO			AMOUNT	DATE	PAID TO	AMOUNT
9	15	04	2000		12	15	04	12	15	04	20			
					3	20	05	3	15	05	30			
					6	25	05	6	15	05	30			
					9	12	05	9	15	05	30			

FIG. 59.—CARD RECORD OF SECURITIES—REAL ESTATE LOANS.

TRUST Estate of Hiram R. Holmes
Unsecured Note of John Smith and Sons
Dated 2/12/1899 Time 1 year - Amount $500.00 @ 6%.

	Dr	Cr	Bal.
Probably of no value - Carried at	1		1

FIG. 60.—CARD RECORD OF SECURITIES—NOTES, ETC.

Digitized by Google

TRUST Estate of William Jones INVESTMENT No. 8

BONDS ~~STOCK~~ Central of Georgia R.R. 1st Mtg. 5's DUE 1945

INTEREST OR DIVIDENDS DUE February 1 and August 1 RATE 5%

Par or Shares	Description	Broker	Price	Date	Bought	Sold	Par or Sh's	Rate	To Bal	Balance
$10000	Nos. 123-130, 2316, 2317	R	118	7 25 04	11800		10 74	118	4 32	11800

FIG. 61.—CARD RECORD OF SECURITIES—BONDS OR STOCK.

REAL ESTATE LOAN No. 3

TO George W. Pomeroy ADDRESS 29 Carter St.

MEMO. DATE 8/12/03 TIME 2 yrs. DUE 8/12/05 RATE 6% INT. DUE Semi-annual

Description of Property	Date	Debit	Credit	Balance
50 x 150 FEET SHOWN AS NO. 29 Carter St.	8 17 03	3000		3000
OPTIONED BY Brown & Smith LOAN $2000.00 BLACK $4500.00	8 12 05		1000	2000
TOTAL $6500.00				
ALLOTMENT OR SUB. DIV. James and John's				
SUB. LOT NO. 14 ADD. LOT NO. 47				
INSURANCE Queens 178349 $4500.00 DUE 7/24/06				

TRUST Gdn James Brown No. 183

FIG. 62.—CARD RECORD OF SECURITIES—REAL ESTATE LOANS.

one large company having many estates in charge. The first three of these forms explain themselves. The fourth, shown in Figure 60, is used for the record of any securities other than bonds, stocks or real estate loans. For example, estates are often received in trust which are the owners of unsecured notes, or of time loans secured by collateral. The size of the cards is 8 by 6½ inches. They are contained in a case which is provided with index cards bearing the names of the different trusts, ar-

INTEREST RECORD

To	Amount	Paid		To	Amount	Paid
3 15 03	65	3 12 03				
9 15 03	65	9 15 03				
3 15 04	65	3 14 04				
9 15 04	65	9 10 04				

FIG. 63.—RECORD OF INTEREST ON LOANS.

Digitized by Google

ranged in alphabetical order. They may, of course, be arranged numerically by the numbers of the trusts if preferred. In Figure 61 is shown another card form designed to serve for the record of either bonds or stocks; and Figure 62 gives another form for the record of real estate loans. The back of these cards contains a form for the record of interest or dividends, that for interest being shown in Figure 63.

Security Chicago & E. Ill. 1st Cons. 6% Bonds

TRUST Estate of Hiram R. Holmes

	Par or Shares	Carried at		
Amount held	5 M	$ 5000	00	

FIG. 64.—INDEX TO SECURITIES HELD IN TRUST.

THE CITIZENS SAVINGS AND TRUST COMPANY, CLEVELAND, OHIO.

Chicago, Rock Island and Pacific Ry. 6% Bonds

DATE	NAME OF ESTATE	DIVIDEND TO BECOME PAYABLE	INTEREST OR DIVIDEND	AMOUNT OF INVESTMENT	WITHDRAWALS OR SALES DATE	WITHDRAWALS OR SALES WHO	WITHDRAWALS OR SALES AMOUNT	BALANCE
May 5	J. J. Jones	Coupons	10	12000				
" 5	S. S. Smith	"	5	27360				27360
July 5	R. T. Jenkins		5	5400				32760

FIG. 65.—LINE LEDGER OF SECURITIES HELD IN TRUST.

SHEET NO. 4.

Mortgage No. 1265 Estate of John L. Smith.
Tax No.

Residence Patrick Henry & Sarah K. Henry (Husband)
Collateral Residence Frederick K. Johnson
Owner Frederick K. Johnson

Date of Bond Nov. 1, 1900 Maturity Nov. 1, 1903.
Original Amount of Bond $ 5000.— Extended to Nov. 1, 1906.
Interest Payable May 1st & Nov. 1st
Rate 5% Guaranteed @ 4½%.
Title Policy Title Guarantee & Trust Co. 125.671.
Bond & Mtg. Guar. Policy No. 12.456. & renewal

Insurance Company: Amount Number Expiration
Guaranteed

PRINCIPAL

DATE	PAYMENTS	AMOUNT	
Dec 1 1900	500	4500	
June 1 1902	500	4000	

INTEREST

DATE DUE	AMOUNT	DATE PAID	
Dec 1 1900	112.50	May 1	
June 1	112.50	Nov 1	

FIG. 66.—RECORD OF SECURITIES—MORTGAGE LOANS.

Digitized by Google

These records give complete lists of all the securities held in each trust, but in order to know the amount of any given security held in all the trusts in the department, it is necessary to provide another record indexed according to the securities. Figure 64 shows an index card for such use. Its use is merely to serve as an index to show what trusts hold any given security, and how much of it they hold. The total amount of the security held by all the trusts must, of course, be found by adding the amounts on the several cards filed after the index card for the security. Some companies keep a regular line ledger for securities held in trust, a loose-leaf form for which is shown in Figure 65.

Loose-leaf Records of Securities are used by some companies, and Figures 66 and 67 show the first and second pages respectively of a form for the record of mortgage loans used by a New York company. This record permits of more detailed information than is usually given in a card system.

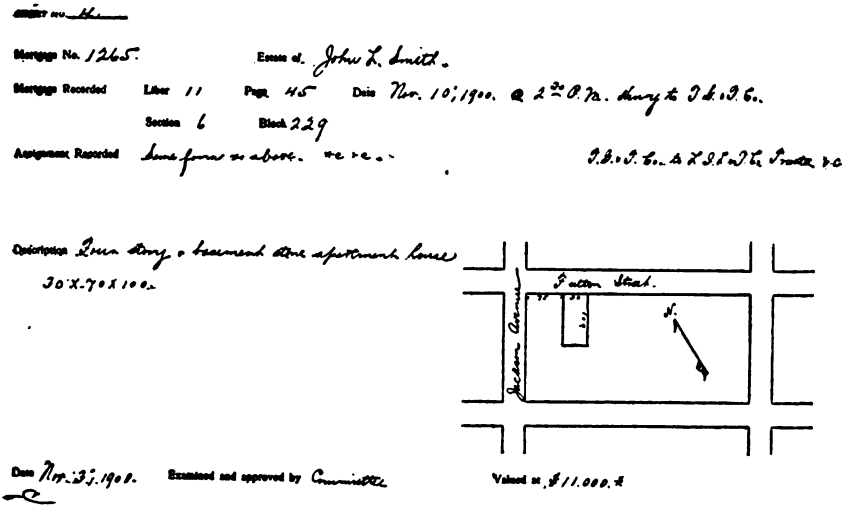


FIG. 67.—REVERSE SIDE OF LEAF SHOWN IN FIG. 66.

Usage seems to vary greatly in the matter of record of real estate held in trust. Some companies depend for a complete record of such real estate upon the rent book and the tax book—in addition, of course, to the original entries in the Trust Register and in the ledger accounts of the trusts concerned. Other companies add a complete list, in separate form, of such real estate. Figure 68, (page 219) shows the form of Real Estate Record given in the Book of Forms of the Trust Company Section of the American Bankers' Association. The book is provided with an index in front.

Figure 69 shows a card record for real estate, giving about the same information as that given in Figure 68, and adding a plat of the property. Additional information, if desired, may be put on the back of the

Digitized by Google

card. These cards may either be grouped according to the trusts owning the property, or be arranged alphabetically according to streets. If the former plan is adopted, an index by streets will be needed to make the record complete; and if the latter plan be followed, an index by trusts owning the property should be added.

The form for the Record of Rents recommended in the Book of Forms of the Trust Company Section of the American Bankers' Association is given in Figure 70. This is made up as a loose-leaf book, the pages being arranged numerically as to trusts and alphabetically as to tenants in each trust. Another form of Rent Book is shown in Figure 71, in which provision is made for the record of expenses on the premises rented. Some companies elaborate the records in the rent book still

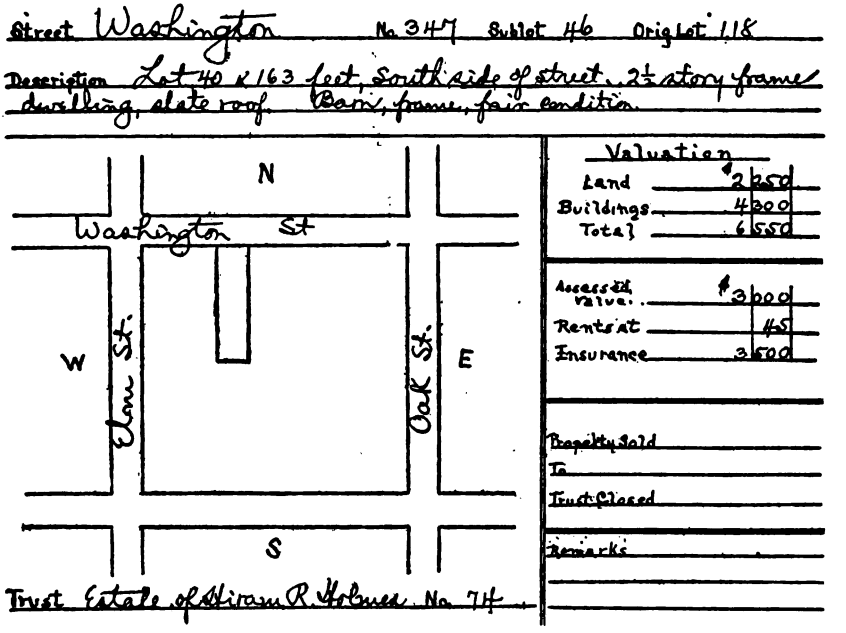


FIG. 69.—CARD REAL ESTATE RECORD.

further, showing expenses in two columns, headed "Repairs" and "Sundry," and also providing a column for the record of sundry receipts, such as repayments of water rents, etc. Figure 72 shows a rent record in card form, the cards being five inches wide by eight inches long.

Companies handling a number of trusts which are the owners of real estate are of course compelled to look after a great many fire insurance policies, seeing that all buildings are covered by sufficient insurance, and that policies are renewed in due season. For proper attention to the matter of renewals, reliance is, of course, placed upon the Tickler. Some companies file insurance expiration cards in the general Tickler of the Department, while others maintain a special Tickler for insurance ex-

Digitized by Google

RECORD OF RENTS.

Premises *House* *52 Adams Street* Trust No. *490*

Roger Smith Tenant *Henry A. Williams Estate* Owner

Rent, $ *300.00* per Year, Payable $ *25.00* per *Month* in advance

Water $ *9.00* per Year, Payable $ *2.25* per *Quarter* by *Tenant*

Lease Commences *None* Expires Vacated Rent due, $

Remarks *Rent paid in full to 4/1/99, when property was turned over to us.*

Payments

	1899								
Mar	[illegible]	4/1	to	5/1	25	—		to	
May	[illegible]	5/1	to	6/1	25	—		to	
"	[illegible]	6/1	to	7/1	25	—		to	
June	[illegible]	7/1	to	8/1	25	—		to	
July	[illegible]	8/1	to	9/1	25	—		to	
Sept	[illegible]	9/1	to	10/1	25	—		to	
"	[illegible]	10/1	to	11/1	5	—		to	

FIG. 70.—RENT BOOK.

pirations. Figure 73 shows the form of a card used for such a special Tickler. This also serves as a complete list of all insurance carried in the department. Some companies keep in book form a complete insurance record, and Figure 74, (page 219) shows a form based on that given in the Book of Forms of the Trust Company Section of the American Bankers' Association.

No. 378 Adams St. Tenant Wm W. Wilson

Description 2 story frame dwelling Business Groceryman

Rent, $32.00 per month payable in advance. Interior Repairs by Owner

Lease Expires April 30, 1906 Exterior Repairs by "

Estate of Hiram R. Holmes Trust. Water rent paid by Tenant Taxes paid by Owner

EXPENSE					RENT, DR.			RENT, CR.			
1904					1904			1904			
Mar	28	Papering 4 rooms	$26	35	Apl 1 to May 1	32		Apl.	1		32
					May 1 " June 1	32		"	29		32
					June 1 " July 1	32		June	3		32

Orig. Lot 47 Sub-lot 18 Feet Front 36 Feet Deep 110 Tax Val. of Lands, $300.00 Of Bldgs., $1000.00 Total Tax Val., $1300.00 Appraised Val., $3800.00

Insurance $2000.00 Premium $23.00

FIG. 71.—RENT BOOK.

Digitized by Google

PREMISES 52 Adams St.

TENANT Roger Smith

AMOUNT $25 PER month

LEASE None WATER RENT $9.00 VACATED

REMARKS

MONTH 1904	DAY	RENT PAID TO	AMOUNT
Mch	29	May 1	25
May	4	June 1	25
"	28	July 1	25

FIG. 72.—RENT RECORD IN CARD FORM.

The exact form of the Tax Book—in which property upon which the trust company is to pay taxes as agent or trustee or in other capacities is listed—will vary according to local conditions. The forms given herewith are adapted to use in the State of Ohio. Figure 75 shows a form for the record of taxes on city property. The record covers two pages, the second page shown in the figure being opposite the first. The same is true of the record of taxes on out-of-town property, the two pages of

EXPIRATION October 4, 1908

LOAN NO. 374 ESTATE James Brown

MORTGAGOR Wm S. Black

AMOUNT OF INSURANCE $3000.00

PROPERTY 247 Thirty-first st.

COMPANY Phoenix

POLICY NO. 371413 AGENT Thompson & Co.

FIG. 73.—INSURANCE TICKLER.

which are shown in Figure 76. Figure 77 shows a form for record of taxes on personal property, and Figure 78 a form for the record of water rents. These forms should all be used under one cover, either permanently bound or in loose-leaf form.

Trust companies doing a considerable probate business, especially if they are called upon to administer large estates, find it desirable to keep a Probate Claim Docket, the standard form of which is shown in Figure 79. This may be used either in a permanently bound book or in a loose-

Digitized by Google

City Property.

State and County 1900	Whole Tax	Trust	Property in Name of	In Name of The Cleveland Trust Co.	Inventory Appraisement	
150	163 50	Holmes	Hiram R. Holmes			

FIG. 75.—TAX-BOOK (CITY PROPERTY), RIGHT-HAND PAGE.

City Property.

Ward	Sub-division	Orig. Lot	Sub-Lot	Front Feet	Front In.	Street or Avenue	Feet Deep	Valuation 1900 Land	Valuation 1900 Buildings	Valuation 1900 Total	Special Tax	When Payable	Purpose
4	Hive Hill	7	124	50		Third Ave	142	2000	4000	6000	12 50	Apl 1	Paving

FIG. 75.—TAX-BOOK (CITY PROPERTY), LEFT-HAND PAGE.

Out of Town Property.

State	County	City or Village	Section	Township	Range	Tract	Orig. Lot	Sub-lot or Lot	Block	Front Feet	Front In.	Street or Description	Acres	Inch	Valuation 1900	Special
Ohio	Summit			North			48						125	50	2510	

FIG. 76.—TAX-BOOK (OUT-OF-TOWN PROPERTY), LEFT-HAND PAGE.

Out of Town Property.

State and County 1900	Whole Tax	When Payable	Trust	Property in Name of	In Name of The Cleveland Trust Co.	
37 65	37 65	Dec. 20	Orlings		de Trustee	

FIG. 76.—TAX-BOOK (OUT-OF-TOWN PROPERTY), RIGHT-HAND PAGE.

Personals.

Ward	Returns in Name of	Valuation	Whole Tax	Payable	Trust	Trust No.	
	Hiram R. Holmes	4000	97 50	Dec. 20	Holmes	37	
	The Blank Trust Co.	8000	195	"	Price	118	

FIG. 77.—TAX-BOOK (PERSONAL PROPERTY).

Water.

Conn. No.	Street No.	Street or Avenue	Paid by	Amount	In Name of	Trust No.	When Payable	
749	312	75th St.	Tenant	5 60	Hiram R. Holmes	37	Apl & Oct.	

FIG. 78.—TAX-BOOK (WATER TAXES).

Digitized by Google

leaf binder. This form provides for a complete list of all claims presented against each estate, with all necessary details regarding each claim. Attention has already been called, in Figure 6, to the Probate Settlement Docket, also used by some companies.

For every payment made by a trust company in behalf of any of its trusts, it is of course imperative that a voucher be obtained. In the handling of many trusts, such as that of executor, a voucher for every item of expenditure must be filed with the court at the times when reports are submitted to the court. Because of this fact, some companies deem it advisable to obtain for each expenditure two vouchers, one marked "original" and the other "duplicate;" the former is to be filed with the court, and the latter to be retained by the company.

PROBATE CLAIM DOCKET.

Probate Court No. 239517 Date of Letters July 8, 1899 Estate of Hiram R. Holmes Deceased

Name of Claimant	Nature of Demand	Claim	Amount of Demand	Date Presented Mo.	Day	Yr.	Waiver Notice	Claimant Collection Mo.	Day	Yr.	Claim Allowed Date Mo.	Day	Yr.	Amount	Claim Paid Mo.	Day	Yr.	Remarks
U. N. Dertaker	Funeral expenses	1	375	8	7	99	–				8	24	99	375	8	26	99	
State of Nebraska	Taxes	4	37 60	8	17	99					8	24	99	37 60	8	26	99	
William Nesmith	Servants wages	5	30	8	30	99		8	30	99	9	4	99	25	9	5	99	

FIG. 79.—PROBATE CLAIM DOCKET.

Figure 80 shows a common form of voucher. Before payment of the bill described, the voucher is marked "correct" by the bookkeeper, and "approved for payment" by the Trust Officer. The size of this voucher

TRUST DEPARTMENT

THE UNION TRUST COMPANY OF PITTSBURGH

Executor OF THE ESTATE OF William M. Williams

To Hattie T. Williams Dr.
29 Twentieth St.
Pittsburg, Pa.

	FOR	
	Bequest, per provisions of will	5000

CORRECT A. R. Armstrong Bkkpr.

APPROVED FOR PAYMENT

J. J. Jones
TRUST OFFICER

PITTSBURGH, PA May 8, 1905

RECEIVED OF THE UNION TRUST COMPANY OF PITTSBURGH

Five thousand DOLLARS

IN FULL FOR THE ABOVE ACCOUNT

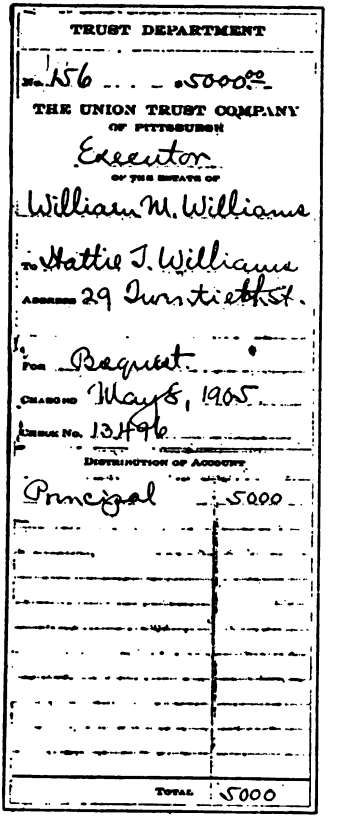
$5000.00 SIGN HERE: Hattie T. Williams

DO NOT DETACH ANY PAPERS OR CHANGE THIS VOUCHER. DATE, SIGN AND RETURN AT ONCE

FIG. 80.—VOUCHER.

Digitized by Google

is 8½ by 7 inches. It is intended to be folded once, crosswise, so that when filed away the information given on the back, shown in Figure 81, may be easily read. The vouchers for each trust are numbered consecutively as issued. For keeping track of the proper numbers to be given to vouchers as issued, a convenient device is to have on large card-boards, or pasted on the covers of the department check-book, a list of the different trusts in alphabetical order, the name of each trust being followed by a list of numbers succeeding those of the current voucher numbers.


TRUST DEPARTMENT

No. 156 ... $5000.00

THE UNION TRUST COMPANY
OF PITTSBURGH

Executor
OF THE ESTATE OF
William M. Williams

To Hattie J. Williams
Address 29 Dunstieth St.

For Bequest
Charged May 8, 1905
Check No. 13496

Distribution of Account

Principal	5000
Total	5000

Fig. 81.—Back of Voucher.

As each number is issued, the number given it is scratched off the list of numbers; so that the correct number for the next voucher issued is readily seen without the trouble of referring to the journal of the trust concerned.

This department usually keeps its uninvested funds on deposit with the banking department of the company, (or sometimes with another company), and makes all payments by check; and the memorandum "Check No. ——" in Figure 81 refers to the number of such a check.

Digitized by Google

A customary form for the department check is shown in Figure 82. The bookkeeper gets the debit items for entry in the books of this department from the stubs of this check-book. He obtains the credit items from credit slips, one form of which is shown in Figure 83.

Statements of accounts required by the courts are usually made on ordinary journal-ruled statement paper, the entries being made in chro-

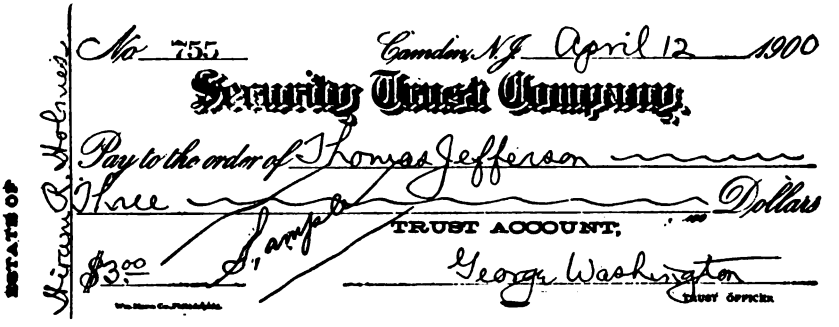


FIG. 82.—TRUST DEPARTMENT CHECK.

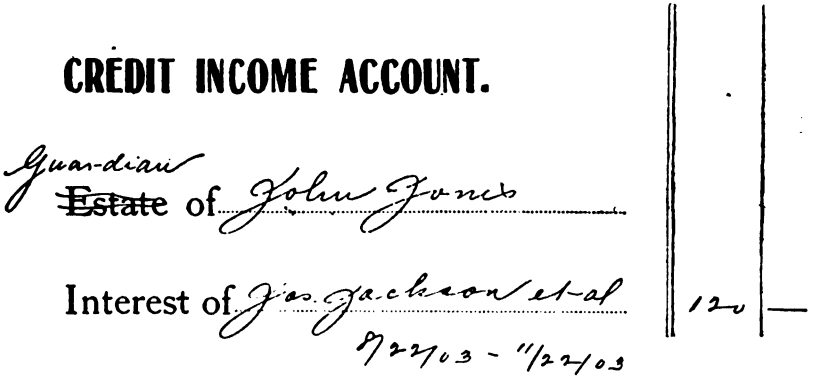


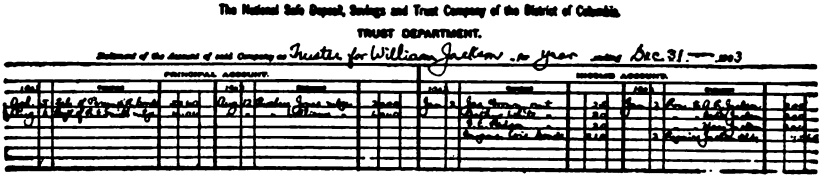
FIG. 83.—CREDIT SLIP.

nological order, items for principal account not being separated from those for income account. In monthly or annual statements to beneficiaries or to the makers of trusts, however, the items on the two accounts should be shown separately. Figures 84, 85 and 86 show different forms for statements to beneficiaries, designed, as will be seen, to show separately the items in principal and income accounts. That shown in Figure 86 is arranged for use in connection with the individual trust journal

Digitized by Google

shown in Figure 14. The statement, it will be noted, is practically a copy of the journal; and the stenographer simply copies the entries from the journal without intermediate copying by the bookkeeper.

It is a growing custom for individuals to deposit their wills with trust companies, especially in cases where the trust company is made executor. In receiving wills the trust company undertakes to safely keep same and to deposit them with the proper authorities as soon as possible after the decease of the testator. Figure 87 shows a form for the Record of Wills on File. This is a card form, the cards being kept in a case in the vault, and being arranged in alphabetical order.


The National Safe Deposit, Savings and Trust Company of the District of Columbia.

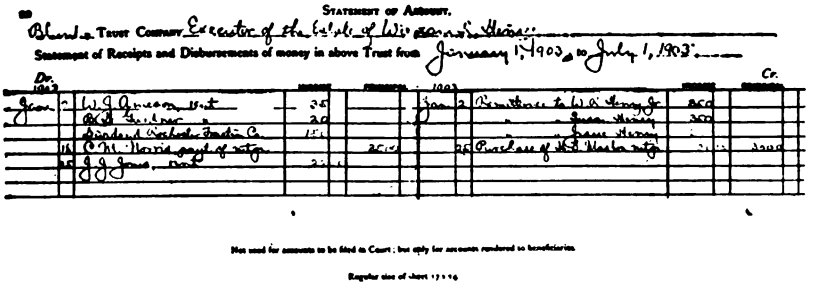
TRUST DEPARTMENT.

Statement of the Account of said Company as Trustee for William Jackson for year ending Dec. 31, 1903

PRINCIPAL ACCOUNT.

INCOME ACCOUNT.

FIG. 84.—STATEMENT TO BENEFICIARIES.


STATEMENT OF ACCOUNT.

Blank Trust Company Executor of the Estate of William S. Hastings

Statement of Receipts and Disbursements of money in above Trust from January 1, 1903 to July 1, 1903

Dr. Cr.

Not used for accounts to be filed in Court; but only for accounts rendered to beneficiaries.

Regular size of sheet 17 x 14

FIG. 85.—STATEMENT TO BENEFICIARIES.

STATEMENT OF ACCOUNT.

THE CLEVELAND TRUST COMPANY, Trustee for the Estate of Hiram R. Holmes

RECEIPTS AND DISBURSEMENTS OF MONEY FROM November 1, 1904 TO January 1, 1905.

PLEASE EXAMINE AT YOUR EARLIEST CONVENIENCE, NOTE ANY EXCEPTIONS AND REPORT PROMPTLY TO US. . . .

THE CLEVELAND TRUST COMPANY.

George Washington

DATE 1904	DESCRIPTION		INCOME		PRINCIPAL	
			Dollars	Cents	Dollars	Cents
Nov. 1	F. S. Fitch, Rent 812 Twelfth St., Nov.,				75	
	M. T. Renner, " 1294 Third Ave. "				84	50
2	A. Carpenter, repairs on 213 Twelfth St.,	73	45	74		
4	M. S. Whitcomb, in full for Troy property,					
	25 coupons from Penna. R. R. Bonds, due Nov. 1,				1145	16
10	Hiram R. Holmes, Jr., - monthly remittance,	74	100			
	Mary L. Holmes, do.	75	100		500	
	Junius Holmes, do.	76	100			
17	F. Plumer, repairs on Holmes Building,	77	213	90		
19	E. T. Franke, interest on mortgage,				90	

FIG. 86.—STATEMENT TO BENEFICIARIES.

Digitized by Google

In the above pages the writer has attempted to give the principal kinds of records and forms used by the average trust company to record the history of its business in the trust department. There are of course companies undertaking special lines of work which call for varieties of forms not included in the above sketch; and besides forms for such special lines of work, the individual preferences of the officers in different companies add many forms of greater or less utility which from the nature of the case it would be neither possible nor useful to attempt to include here. There is also a class of forms, legal or semi-legal in character, which the trust company uses constantly in its trust department, but

Name George G. Washington

Address 291 34th St.

WILL RECEIVED	TEMPORARILY SURRENDERED			RETURNED
	DATE	TO WHOM		
1904 May 5	1904 Nov. 8	George G. Washington		1904 Nov. 11

Remarks

FIG. 87.—RECORD OF WILLS ON FILE.

which it has not seemed best to discuss in the present articles. These include forms of bonds, stock certificates, voting trust certificates, certificates of participation and so forth. The exact form of such documents depends in the first instance upon the particular contract involved, and in the second instance upon the individual views and preferences of the lawyer or lawyers who prepare them. And while there is of course a general similarity in the forms used, the considerations just named result in such differences in details in documents of this character that it would be difficult to fix upon what could be called standard forms.

Digitized by Google

CHAPTER VIII.

FORMS AND RECORDS FOR THE SAFE DEPOSIT DEPARTMENT.

THE necessary forms and records for the safe deposit department are comparatively few in number. The business of the department involves the renting of individual safes or boxes, and the caring for packages left for safe-keeping. In theory, the business is simple; but experience demonstrates that complicated situations are apt to arise; and it is important that the few forms needed should be prepared with care, and those affecting the contract into which the company enters should be approved by competent counsel. The Trust Company Section of the American Bankers' Association in 1904, and again in 1905, appointed a special committee to report on various matters affecting the safe deposit department, and including a compilation of forms. The reports of the two committees, bound under one cover, have been issued by the association, and contain valuable information. The forms there given, thirty in number, provide for the needs of the largest companies, but of course include many that are not needed by the safe deposit department of the average trust company. A few of these forms, together with others collected from different sources, are given here.

The identity of prospective customers of this department should be established with care. When the applicant is an entire stranger, some companies send to persons named as references a printed letter reading as follows:

Dear Sir:—

Mr. ———— of ————, whose signature is attached, has mentioned you as a reference. If you consider ———— as an honest and reliable person, will you kindly affix your signature and return to us at your earliest convenience? It is understood and agreed by us that this will in no way make you liable for any damages.

Yours very truly,

————————

Manager.

Sign here ————————

Signature of ————————

Whatever the method used for the purpose, the company should satisfy itself that every applicant for a box in the vaults is the person he claims to be. Should he rent a box under an assumed name, in case of his death the company might be put to considerable expense and certainly would be put to some trouble, in determining to whom the box should be surrendered. It is also important that the customers of this department—

Digitized by Google

as of all departments, for that matter—be known to be persons of ordinary honesty; for while every precaution is taken to conduct the business with care, the possible presence in the vaults of a designing and dishonest person involves too much risk for the company.

Assuming a prospective customer of this department to have been identified as a proper person to become a renter of a box in the company's vaults, the first forms needed are the receipts mutually given by the company and by the renter. The company gives a receipt for the payment of the rent of the box, a form of which with stub is shown in Figure 88. Upon the back of this form are printed the rules and regulations of the department, which the renter, by the acceptance of this receipt and by the terms of the receipt which he gives to the company (see Figure 89), agrees to abide by. Some companies prefer not to print the rules and regulations on the back of the receipt, but simply to include in the receipt some such words as these: "Subject to the rules and regulations made by this company." This is intended to include not only the present rules and regulations, but also any that the company may see fit to make in the future.

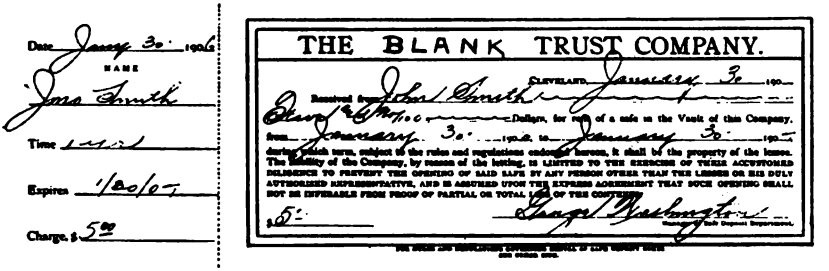


FIG. 88.—RECEIPT FOR SAFE RENT.

When the keys are turned over to the renter, a receipt is taken from him, in which he acknowledges the receipt of the keys and agrees to the rules and regulations of the company. His signature to this receipt also serves as a means of identification in the future. For many obvious reasons, however, this should not be relied upon as the only means of identification; and it is customary to record other information for this purpose. Such information may refer to personal appearance—height, complexion, color of hair and eyes and especially any visible scars or marked peculiarities. In the case of a person who continues to be a customer for a long term of years, however, such information may become a source of confusion, because one's personal appearance may change. Of more value are such facts as the date and place of birth, father's name and mother's maiden name. Many companies also give to each renter a password, although such passwords are rarely used, being easily forgotten, and of doubtful utility. Except in the cases of those who rarely visit their boxes, the attendants soon become familiar with the customers, so that resort to special means of identification is not needed.

Digitized by Google

It is convenient to have this information recorded in the same place as the signature of the renter, and in the form shown in Figure 89 a card 6 by 4 inches in size is used for the receipt from the renter and for his description. The card also contains the business address, the home address, the number of safe, the password, the date when rent becomes due, name of person who introduced the renter, and a form for surrender of the safe and keys. It also contains the signatures of the deputies, if any. These cards are filed in alphabetical order, and thus provide an index of the renters of safes.

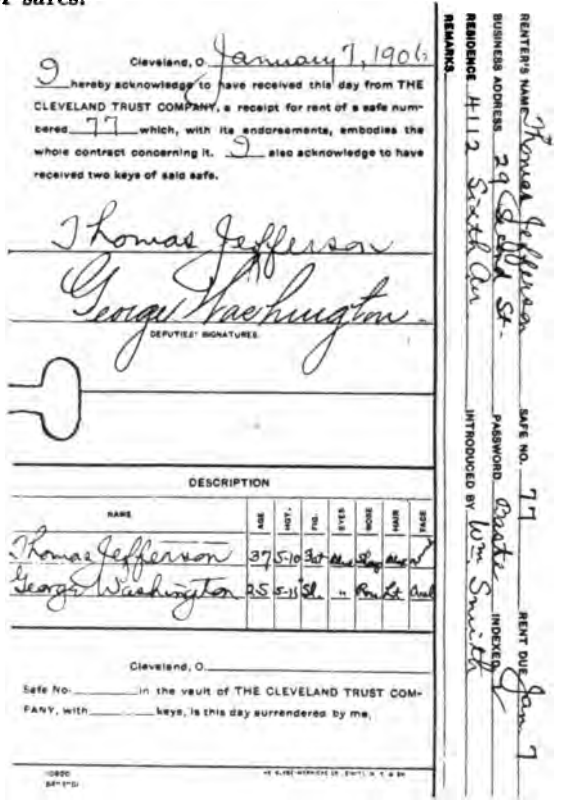


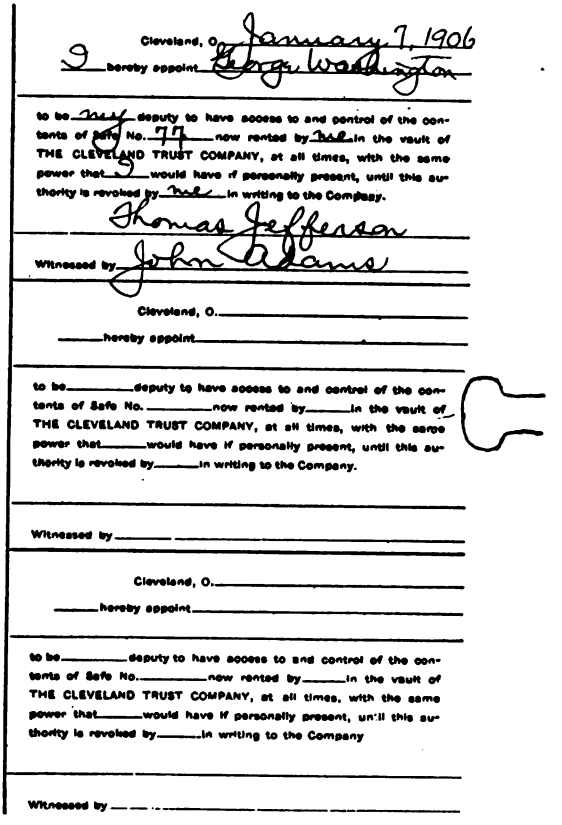
FIG. 89.—RECEIPT AND IDENTIFICATION CARD.

Very frequently the renter wishes to appoint some person or persons to be his deputy or deputies to have access to his box. It is convenient to have such appointments on the same card as the signature and description of the renter; and in the system here described the forms for the appointment of deputies, shown in Figure 90, are printed on the back of the card whose face is shown in Figure 89. Some companies have the appointment of deputies, in practically the same wording as shown in the figure, on a separate card which is filed alphabetically after the card which contains the renter's signature. Information for the identification of the deputy should appear on the card which contains his appointment.

Digitized by Google

Figure 91 shows a form used to revoke a deputy-ship.

Figure 92 shows a safe deposit register in book form. As in the case of the card register, it contains on each sheet the signature and receipt of the renter, his identification, appointment of deputy and final receipt. The book may be either permanently bound or in loose-leaf form. If permanently bound, a separate alphabetical index of renters will be needed.



Cleveland, O. January 7, 1906

I hereby appoint George Washington

to be my deputy to have access to and control of the contents of Safe No. 77 now rented by me in the vault of THE CLEVELAND TRUST COMPANY, at all times, with the same power that I would have if personally present, until this authority is revoked by me in writing to the Company.

Thomas Jefferson

Witnessed by John Adams

Cleveland, O._____

_____ hereby appoint _____

to be _____ deputy to have access to and control of the contents of Safe No. _____ now rented by _____ in the vault of THE CLEVELAND TRUST COMPANY, at all times, with the same power that _____ would have if personally present, until this authority is revoked by _____ in writing to the Company.

Witnessed by _____

Cleveland, O._____

_____ hereby appoint _____

to be _____ deputy to have access to and control of the contents of Safe No. _____ now rented by _____ in the vault of THE CLEVELAND TRUST COMPANY, at all times, with the same power that _____ would have if personally present, until this authority is revoked by _____ in writing to the Company

Witnessed by _____

FIG. 90.—APPOINTMENT OF DEPUTIES.

Where two or more persons rent a safe as joint tenants, in place of the form shown in Figure 89 there is used a card form which is identical with it except that the receipt for keys reads as follows:

"We hereby acknowledge to have received from The Blank Trust Company of Buffalo, New York, a receipt for rent of safe No. ——, with rules and regulations of said company. Also —— keys of said safe.

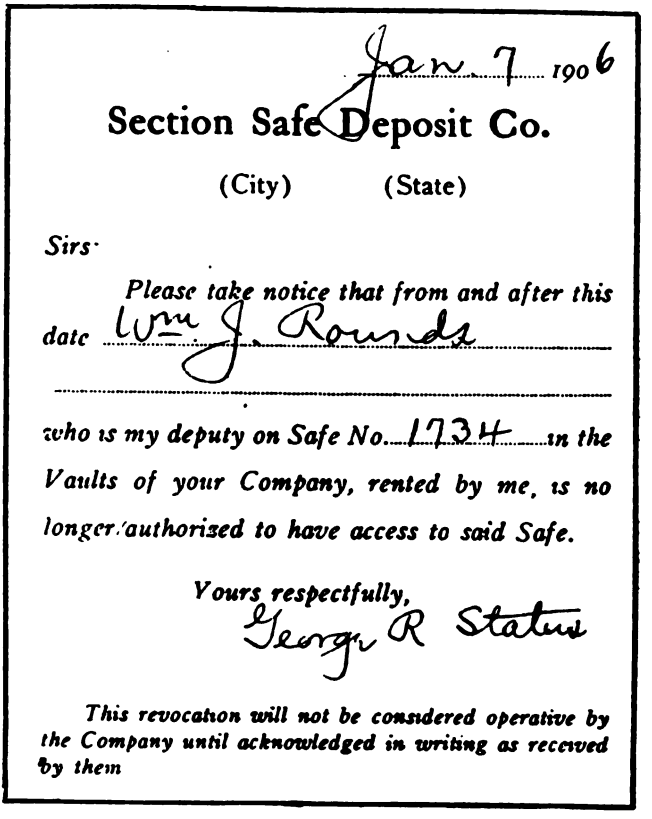
And it is hereby understood and agreed as follows: viz.,—Either of us may at any time surrender said safe without the presence of the other. Either of us shall have the power to deputize, in writing, any third party or parties to have access to the said safe, and the signature of only one of us shall be necessary to such deputization. And any such deputy or deputies shall also have full power to surrender said safe at any time. The

Digitized by Google

authority of such deputy or deputies shall continue until written notice to the contrary is given The Blank Trust Company, of Buffalo, New York, by the one signing such deputization. And the survivor of us shall have all the powers and rights in respect of said safe that both, or either of us, can exercise during our joint lives."

A shorter form, used for the same purpose, reads as follows:

"We, the undersigned, agree to the rules and regulations of the Section Safe Deposit Company, in force at this date, and such reasonable rules and regulations as may be hereafter adopted. And we agree to hire



Jan. 7 1906

Section Safe Deposit Co.

(City) (State)

Sirs:

Please take notice that from and after this date Wm J. Rounds

who is my deputy on Safe No. 1734 *in the Vaults of your Company, rented by me, is no longer authorized to have access to said Safe.*

Yours respectfully,

George R Status

This revocation will not be considered operative by the Company until acknowledged in writing as received by them

FIG. 91.—FORM FOR REVOKING DEPUTYSHIP.

and hold safe number —— as joint tenants, the survivor or survivors to have access thereto in case of death of either, but either has the power to appoint a deputy. Either of the tenants has the right to surrender the safe."

Where the safe is rented by a corporation, the same form of receipt as that given by individuals may be used, but it becomes necessary to have, in addition to the receipt, an appointment of the party or parties who are to represent the corporation in access to the safe. For this purpose a certified copy of the resolution of the corporation is desirable, and the following is a form used:

Digitized by Google

SAFE DEPOSIT REGISTER.

No. of Safe	No. of Key	Yearly Rent	Rented From	Rented To	Ledger Folio
1741	2219	$5.00	Jan. 7, '05.	Jan. 7, '06	311

Name of Renter: John Paul Jones

Residence: 217 Maple Ave.

Place of Business: 19 Second St.

Post Office Address: As above

Identification: Born July 3 1865. Parents Wm B. and Mary Kent Jones Birthplace, Dublin, Ireland. Height 5 ft 10 in. Eyes Blue. Hair light

Name of Deputy: N. M. Farragut

Residence: 174 Olive St.

Place of Business: 74 Missouri St

Post Office Address:

References: B. A. Jones; A. B. Smith (Both speak well of him)

Final Receipt:

SIGNATURE AND RECEIPT OF RENTER.

Jan 7 1905

I hereby acknowledge to have received this day from The Blank Trust Company a Receipt No. 3039 for rent of safe numbered 1741 which embodies the whole contract concerning it.

I also acknowledge to have received 2 keys of said safe.

Witness: Ben L. Richard — John Paul Jones

APPOINTMENT OF DEPUTY.

Apl. 14' 1905

I hereby designate N. M. Farragut as my deputy to have access to and control of the contents of above safe in the vault of The Blank Trust Company until this authority is revoked in writing to the Company.

Witness: J. K. Nelson — John Paul Jones [L. S.]

Signature of Deputy. N. M. Farragut

_____ 190____

I hereby certify that all the papers and other property placed within the vault of

in pursuance of the contract above cited, have been duly and properly withdrawn therefrom and are in the owner's full possession, and said Company is discharged from all liability in respect thereto.

FIG. 92.—SAFE DEPOSIT REGISTER, IN BOOK FORM.

"To the Section Safe Deposit Company:

At a meeting of the board of directors of the Ham and Sandwich Company, held at its office on the 9th day of February, 1906, the following resolution was adopted: 'Resolved, That ———— shall have the right of access to the safe (No. ——) in the vaults of the Section Safe Deposit Company, standing in the name of this company.'

(Signed)

_____ _____

Secretary. President.

(Seal)

Received, ————190 "

Digitized by Google

This resolution may name certain individuals in person, or it may name the officer or officers of the corporation who are to have access to the safe. In the latter case, there will also be needed a certified list of the officers of such corporation, which list must be refiled as often as the corporation holds an election.

For the record of cash transactions the only forms necessary are a Cash Book for receipts only (no cash being paid out in this department, except for occasional rebates), and cards, or books if preferred, for the ledger accounts of renters. Figure 93 shows a form of Cash Book. At the close of the day's business (or, in practice, at the beginning of the next day) the cash received during the day is deposited in the banking department to the credit of this department; the amount of such deposit being shown in the column headed "Amount Deposited."

For the ledger accounts with customers of this department card ledgers are generally used. A form of such a card ledger is shown in Figure

301

RECORD OF RECEIPTS—SAFE DEPOSIT DEPARTMENT.

DUE DATE 1906	NAME	SAFE RENTALS	STORAGE	SUNDRY	AMOUNT DEPOSITED	✓	RENTALS DUE	REMARKS
	January 9. 1906							
Jany 9	Geo. Washington	10						
" 13	John Adams	25						
Feb 24	Mrs Alice Longworth		30					
Nov 9	Thos Jefferson			450				Long safe
July 15	James Madison	5						
		40	30	450			5	

FIG. 93.—SAFE DEPOSIT DEPARTMENT CASH BOOK.

94. The size of the card is 6 by 4 inches. The record is continued, if necessary, on the back of the card, which is ruled in the same way. These cards are filed in a case according to due dates of rent, and thus constitute the tickler of the department. Instead of this plan, however, some companies have the cards prepared with a tab at the top of each upon which is printed the name of the month during which the rent expires. The tab for the January cards is at the left upper corner of the card, and that on the December card is at the right upper corner. The tabs on the cards for the intermediate months are arranged in order between these, so that when the case is filled with cards the eye may by glancing at the tops of the cards pick out those containing expirations for any given month. A sample of this card for the month of February is shown in Figure 95. Under this plan the cards are arranged in the numerical order of the safe numbers; and the tabs at the tops of the cards

Digitized by Google

serve as ticklers. Towards the last of each month the cards for the following month are looked over, bills for renewal are made out, and the cards replaced. The bills are made out in duplicate, one copy being mailed to the renter, while one is kept by the teller who receives rent payments, serving as his memorandum of rents due.

NAME Thomas Jefferson SAFE NO 77 EXPIRATION 1/7/07
ADDRESS 29 S[illegible] St. RENTAL $5.00 PERIOD 1 yr.
REMARKS NOTICE

SAFE RENTAL LEDGER CARDS

DATE	DEBIT	CREDIT	DATE	REMARKS	DATE	DEBIT	CREDIT	DATE	REMARKS
1/7/06	5 00	5 00	1/7/06						

OFFICE EQUIPMENT CO. 12M-1-6-06

FIG. 94.—LEDGER CARD.

Feb.

NAME R. W. Emerson SAFE NO 13 EXPIRATION 2/7
ADDRESS 166 Twelfth St. RENTAL 10.00 PERIOD 1 yr.
REMARKS NOTICE

DATE	DEBIT	CREDIT	DATE	TO	REMARKS
Feb. 7 05	10 00	10 00	Feb. 7 05	2/7/06	

THE CITIZENS SAVINGS AND TRUST COMPANY. 15-2-05 2M-10-01

FIG. 95.—CARD LEDGER, WITH TAB.

Digitized by Google

Some companies prefer to have the department tickler in book form, as shown in Figure 96. This book is indexed by years and months.

It is desirable to have a record showing the history of each safe, and for this purpose the Safe Register, shown in Figure 97, is used. As will

SAFE RENTAL EXPIRES April 190 6

Contract	Expires		Name	Address	No. of Safe	No. of Mos.	Amount	When Paid		Remarks
Apl	1	06	M. S. Spencer	31 East 7th St.	29	12	5	Apl	1	
	1		J. J. Armstrong	222 Monroe	312	12	10	"	4	
	1		S. J. Barnes	314 Adams	70	12	5			
	3		M. R. Brown	173 Twelfth	111	6	3	"	2	
	3		T. T. Timms	44 Sixteenth	55	12	20	"	3	

FIG. 96.—TICKLER PAGE.

SAFE REGISTER

Date 1900		No.	Price		Name	Address	Remarks
Mch	5	1	$	5	Wm. Smith	419 Third St.	
Apl	7 1902			5	J. W. Jackson	1237 Monroe St.	Transferred from #713
Mch	5 1900	2	$	5	R. S. Birch	74 West Blvd.	
Jun	30 1904			5	Susan J. Cooper	1111 Jackson St.	
July	8 1905			5	Richard Roe	789 Twelfth St.	
		3					

FIG. 97.—SAFE REGISTER.

be seen, this record shows at any time what safes are unrented, and who are the present holders of rented safes, as well as who was the renter of any given safe at any given date.

Figure 98 shows a card form for this same record. These cards are filed in cases having index cards for every ten numbers. The tab at the

Digitized by Google

top of the card shows the last figure of the number, so that the card may be easily picked out after the index card is located. Thus, the card shown in the figure would be the fifth card filed after the index card 970. In addition to the information called for in the form shown in Figure 97, it provides for the record of the number of the lock on the safe, and the date when the lock was changed. This last memorandum has reference to the practice of the most careful companies, of changing the lock to a safe every time the renter is changed, so that in case duplicates of the keys have been made, they will be useless as a means of gaining access to the safe. This is an example of the extreme care taken to provide against any possible contingency that might occasion loss to a customer through negligence on the part of the company.

SAFE NUMBER 974 RENTAL PER ANNUM. $5.00

RENTED	NAME OF RENTER	LOCK NUMBER	LOCK CHANGED	SURRENDERED
2/20/01	Abraham R. Smith	374	2/20/03	2/20/03
4/1/03	William R. Emmett	473	10/10/04	10/7/04
1/18/05	B. S. Garrett	684		

FIG. 98.—SAFE REGISTER, IN CARD FORM.

Most companies keep a Visitors' Register, a form of which is shown in Figure 99. In this book the attendants make record of every visit that is made to the safe deposit vaults by customers or by employees or officers having safes. The word "Room" at the top of the last column refers to the coupon room to which the visitor retires with his box. The usefulness of this memorandum lies in the fact that customers frequently are so careless as to leave articles of value in the coupon room when they replace their boxes in the vault. Before another person is admitted to the coupon room, the attendant examines it for any articles that may have been left; and if he finds any, the Visitors' Register shows to whom they belong. It will be seen that from this record the company can learn just what visits have been made to any given safe, by whom they were made, and the other particulars shown in the figure. This information is frequently of great value.

Digitized by Google

301

VISITORS' REGISTER—SAFE DEPOSIT DEPARTMENT.

DATE 1906		NAME	ARRIVAL	DEPARTURE	REMARKS	BOX	ROOM
Jan.	3	William Smith	9:03	9:05		213	7
		John Jones	9:04	9:16		49	6
		Patrick Henry	9:04	9:09		360	12
		William R. Carroll	10:21	10:25		202	2
		James Johnson	10:40	10:56		418	10

FIG. 99.—VISITORS' REGISTER.

Some companies have the bookkeeping for this department done in the department, while others, especially the larger ones, have the records involving cash kept in another department. If the latter plan is followed, it is necessary to have a set of debit, credit and memorandum slips for bookkeeping information. These include rental tickets, giving full information when a safe is rented, surrender tickets, for use when a safe is surrendered, credit slips for payments, etc. The exact forms of these tickets will depend upon the particular system of the company using them. This department also needs other simple forms, such as bill-heads.

THE STORAGE DEPARTMENT.

As already stated, in addition to the renting of safes, this department undertakes the storage of articles in separate packages, varying from envelopes containing an insurance policy to trunks or chests containing silverware, books or other bulky valuables. This business is simpler than that of renting safes, involves fewer forms, and necessitates fewer precautions, the responsibility of the company being well-defined. The customer

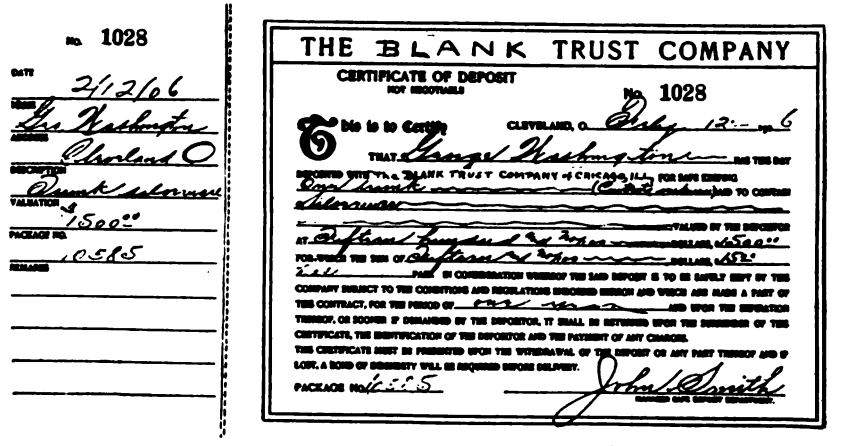
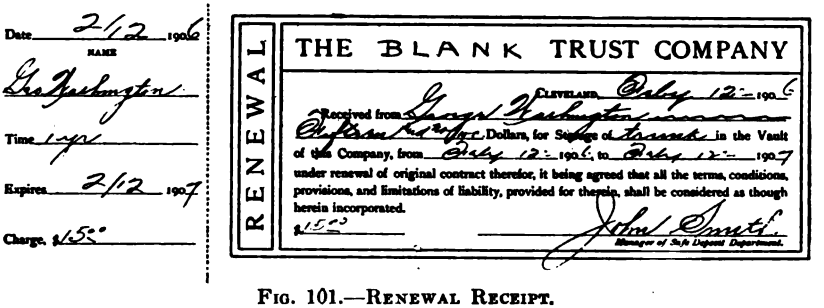


FIG. 100.—CERTIFICATE OF DEPOSIT, WITH STUB.

Digitized by Google



Date 2/12 1906
NAME
Geo Washington
Time 1 yr
Expires 2/12 1907
Charge, $15.00

RENEWAL

THE BLANK TRUST COMPANY

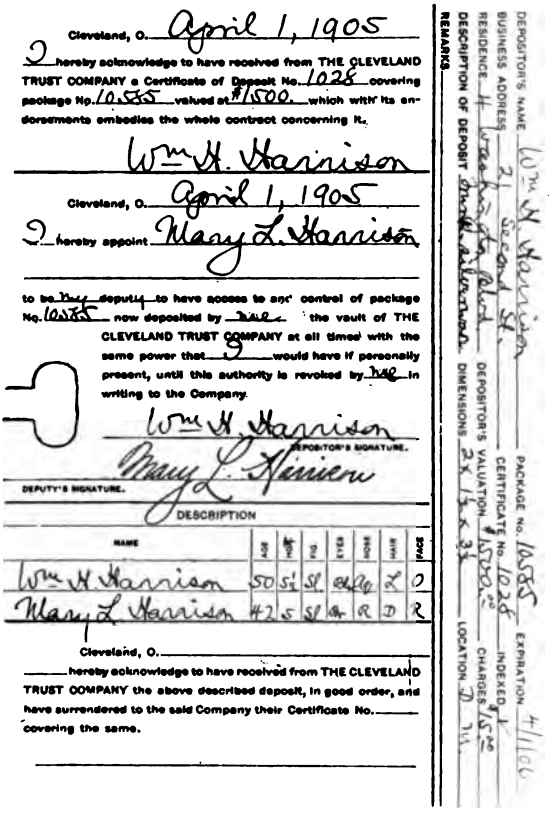
CLEVELAND, Feby 12 1906

Received from George Washington Fifteen and 00/100 Dollars, for Storage of trunk in the Vault of this Company, from Feby 12 1906 to Feby 12 1907 under renewal of original contract therefor, it being agreed that all the terms, conditions, provisions, and limitations of liability, provided for therein, shall be considered as though herein incorporated.

$15.00

John Smith
Manager of Safe Deposit Department.

FIG. 101.—RENEWAL RECEIPT.



Cleveland, O. April 1, 1905

I hereby acknowledge to have received from THE CLEVELAND TRUST COMPANY a Certificate of Deposit No. 1028 covering package No. 10585 valued at $1500. which with its endorsements embodies the whole contract concerning it.

Wm H. Harrison

Cleveland, O. April 1, 1905

I hereby appoint Mary L. Harrison

to be my deputy to have access to and control of package No. 10585 now deposited by me the vault of THE CLEVELAND TRUST COMPANY at all times with the same power that I would have if personally present, until this authority is revoked by me in writing to the Company.

Wm H. Harrison
DEPOSITOR'S SIGNATURE.

Mary L. Harrison
DEPUTY'S SIGNATURE.

DESCRIPTION

NAME	AGE	HOW	FIG.	EYES	NOSE	HAIR	FACE
Wm H. Harrison	50	5½	Sl	Bl	Ag	L	O
Mary L. Harrison	42	5	Sl	Br	R	D	R

Cleveland, O.

hereby acknowledge to have received from THE CLEVELAND TRUST COMPANY the above described deposit, in good order, and have surrendered to the said Company their Certificate No. covering the same.

DEPOSITOR'S NAME Wm H. Harrison
BUSINESS ADDRESS 21 Second St.
RESIDENCE 4 Washington Blvd.
DESCRIPTION OF DEPOSIT Mark Silverwar
REMARKS
PACKAGE No. 10585
CERTIFICATE No. 1028
DEPOSITOR'S VALUATION $1500.00
DIMENSIONS 2 x 1½ x 3½
EXPIRATION 4/1/06
INDEXED
CHARGES $15.00
LOCATION D M

FIG. 102.—RENTER'S RECEIPT FOR CERTIFICATE OF DEPOSIT, ETC.

is given a receipt, which is sometimes called a Certificate of Deposit, and sometimes a Storage Receipt, a form of which is shown in Figure 100. The back of this receipt contains the printed conditions and regulations of the company governing storage of valuables, and a receipt to be signed when the package is taken and the certificate of deposit surrendered. These Conditions and Regulations read as follows:

Digitized by Google

DATE OF ACCESS TO PACKAGE BY DEPOSITOR	PACKAGE TEMPORARILY REMOVED AND CERTIFICATE SURRENDERED BY DEPOSITOR	PACKAGE RETURNED AND CERTIFICATE RECEIVED BY DEPOSITOR	THE UNDERSIGNED HEREBY ACKNOWLEDGES THE TRANSACTIONS INDICATED BY THE HEADINGS OVER THE DATES RECORDED
2/16/05			James Brown
3/4/05			James Brown
	6/18/05		James Brown
		6/19/05	James Brown

FIG. 103.—PACKAGE RECORD.

1. It is agreed by the depositor that no money, certificates of stock, registered or coupon bonds or other negotiable securities are contained in this deposit.

2. In case of loss of deposit through its fault or negligence, the option is reserved to the company of either paying for it, at the valuation specified by the depositor, or of replacing it in kind or amount.

3. This certificate is not transferable except by assignment endorsed hereon and approved by the company.

4. If the whole or any part of this deposit shall be withrawn before the expiration of the specified period, no portion of the charge shall be returned, and if continued longer, it shall be deemed a renewal of the deposit on the same terms, for which a like rate shall be chargeable.

5. This certificate must be presented upon the withdrawal of the deposit or any part thereof.

These receipts are bound in book form, and are numbered consecutively.

RENTALS, RENEWALS AND SURRENDERS

Date 1905		No. of Safe	Name	Address	Rental	Renewal	Surrender	No. of Mos	Rate	Amount	When Paid	No. of Rentals	No. of Renewals	No. of Surrenders	Total Cash	Remarks
Jan	16	211	Wm James	32 Twelfth	✓			12	5	5						
		14	Arthur R. Poe	1214 Ash		✓		12	10	10						
		212	Chas. C. Camp	445 North	✓			12	7 50	7 50						
		73	Norman H. Carr	17 Amherst			✓		5							
		86	J. J. Perkins	21 Commonwealth				6	100	50		3	1	1	72 50	

FIG. 104.—RENTAL, RENEWAL AND SURRENDER BOOK.

Digitized by Google

The stub of this receipt should contain the same description of the package as that given in the body of the receipt. If the package is left for a longer period than that provided for in the certificate of deposit, upon payment of the rent for the longer storage, a renewal receipt is given in the form shown in Figure 101. At the time that the customer receives his certificate of deposit of the package, he signs a receipt for same, in the form shown at the top of Figure 102. This form, which is similar to

DAILY REPORT.

SAFE DEPOSIT DEPARTMENT.

DAY Monday, January 1, 1906

SAFES RENTED	Size	PACKAGES RECEIVED	Number
George Washington	5.	Mary R. Speers	1
Thomas Jefferson	10.	Chas. J. Jones	1
John Quincy Adams	5.		

SAFES SURRENDERED	Size	PACKAGES SURRENDERED	Number
James Smith	5.	Thompson Green	1

COMPARATIVE STATEMENT OF SAFE RENTALS

SAFES	RENTED		SURRENDERED		TOTAL IN USE	
Size	This Mo.	Last Year	This Mo.	Last Year	This Year	Last Year
$ 5.00	31	20	7	5	1518	1112
7.50		2			301	200
10.00	6	3	1	1	150	67
12.50					20	12
15.00					41	40
20.00	2				65	51
25.00					45	42
30.00						
40.00						
50.00	1				25	15
75.00						
100.00					16	14
200.00						
Daily						
Total	40	25	8	6	2186	1573

COMPARATIVE STATEMENT OF PACKAGES STORED

RECEIVED		WITHDRAWN		TOTAL STORED	
This Mo.	Last Year	This Mo.	Last Year	This Year	Last Year
8	3	2	1	425	210

STATEMENT OF EARNINGS

Current Earnings—Rents	$ 3054.90
Packages	252.35
Total	$ 3307.25
Rentals due and accrued	490.00

DAILY ATTENDANCE

	Day	Month	Last Year
Daily Visitors			
Safes Rented	46	352	279
Withdrawn			
Remaining			

FIG. 105.—DAILY REPORT.

that used for the receipt for keys to a safe, shown in Figure 89, also provides for the appointment of a deputy, and contains places for the description of the depositor and for that of his deputy, and other information as shown. On the back of the card—which is 6 by 4 inches in size—provision is made for the history of the package from the time it is received by the company until it is finally delivered. (See Figure 108.)

Digitized by Google

The ledger card for the record of cash transactions regarding packages left for storage is practically the same as that used in the renting of safes, shown in Figure 94; the only difference being that the words "Package No. ——" are substituted for the words "Safe No. ——." It is customary, however, to have the two sets of cards of different colors.

Some companies use what is called the "Rental, Renewal and Surrender Book," a form of which is shown in Figure 104. This is intended to give a running account of the business done by the department. It shows the business transacted during any given period, and provides a means of comparing the growth of the company from time to time.

This department sends to the general bookkeeper a daily report, which, together with the reports from all of the other departments, is placed each morning on the desk of the President or the executive head of the company. This report shows the number of safes rented during the day, the number surrendered, the number of packages received and the number surrendered, a statement of the number of visitors to the vault during the day, and a comparative statement of the number of safes rented, packages in storage and current earnings. A form of such a report, adapted, of course, to the needs of the company which uses it, is shown in Figure 105. Monthly, semi-annual and annual statements of the same character are also prepared.

Digitized by Google

CHAPTER IX.

FORMS AND RECORDS FOR THE BANKING DEPARTMENT.

AS has already been stated, the business of the banking department of a trust company differs little from that of an ordinary state bank, with the exception that trust companies in many states are forbidden to discount commercial paper. As a consequence many of the forms and records used by state banks, and also some of those used by national banks, are adapted to the use of the banking department of the trust company. Such forms and records have been treated at length in several excellent books on the subject and in current periodicals; so that in treating of them here it is necessary to travel over a fairly well-beaten road. However, each year sees introduced into our banking institutions new forms and devices, and he who would keep abreast of the times must be ever watchful for the latest improvements. The up-to-date systems of bank accounting involve many time and labor-saving plans, some of which are regarded by the old-time banker as sacrificing safety and completeness to speed. Loose-leaf records, card systems and the doing away with the use of intermediate journals have largely supplanted the old systems in many banks; while others regard these innovations with suspicion if not with open hostility. Experience, however, seems not to justify the fears that many bankers hold regarding new methods.

The modern trust company is equipped with many devices which lighten labor, save time and insure greater accuracy and neatness. Prominent among these are the typewriter and the adding-machine, without which the enormous amount of business done each day by the large institutions would be difficult if not impossible. A great profusion of other time and labor-saving devices are used,—rotary letter-copying machines, filing-cabinets, manifolding devices, interest tables, coin-trays and counters, check-protectors, rubber stamps, etc.

While there is a general similarity in the forms used by different companies for given purposes, slight variations from standard forms are so numerous that it would be quite impossible in such a sketch as this to include all good forms that are in use. In selecting the forms to be given here, as in selecting those already given for other departments, the writer does not intend to imply that other forms may not be as good. It should, perhaps, also be remarked that throughout this work the writer has usually avoided New York city forms, because the business of banks and trust companies in the metropolis is in some respects different in its requirements from that of those located in the smaller cities and in the towns in different parts of the country.

Digitized by Google

Pioneer Trust Company.

1 George Washington

2

3

Address 314 25th St.

Occupation Physician Tel. No. Main 3451

Introduced by Benj. Franklin Date 3/10/06 Closed

Fig. 106.—Signature Card.

Forms for the Use of Customers.

When a new customer opens an account, the first form needed is the signature-card, upon which he writes his signature to be used by the company as a means of identifying his checks. The card, a form of which is shown in Figure 106, should also contain his address, and other information as shown in the figure. These cards are filed alphabetically in cases with guide-cards at frequent intervals; the cases being placed in such a position as to be easily accessible to the paying tellers and to the bookkeepers. Some companies take two or more signatures from each customer, so that the signatures may be filed in places convenient to the different workers who may have to refer to them. Formerly signature

MISSING

PROCURE SIGNATURE OF

Wm. R. Jerome

RESIDENCE 21 East 4th Ave.

REMARKS

Acct. opened by his father, S. P. Jerome

DATE 3/10/06

Fig. 107.—Dummy Signature Card.

Digitized by Google

books were used instead of cards; but, except in very small companies, the advantages of the cards are so many that they are rapidly displacing books for this purpose. It sometimes happens that the signature of the new depositor cannot be obtained at the time the account is opened. In such case, a signature-card is sent to him to be signed and returned to the company; and in the meantime it is a good plan to have a dummy signature-card, like that shown in Figure 107, which is filed in the proper place with the regular signature-cards until such time as the signature is obtained. The use of this card, which should be of different color from that of the signature-cards, serves as a constant reminder that a signature is missing, and also makes the signature file a complete index of accounts.

THE
UNION TRUST COMPANY
PALMYRA, PA.

DEPOSITED BY C. S. Smith

Mch. 10– 1906

PLEASE LIST EACH CHECK SEPARATELY.

Currency	119	
Gold	20	
Silver	16	25
Checks	37	18
	41	81
	12	95
	9	03
	256	02
Total $		

See that all Checks and Drafts are Endorsed.

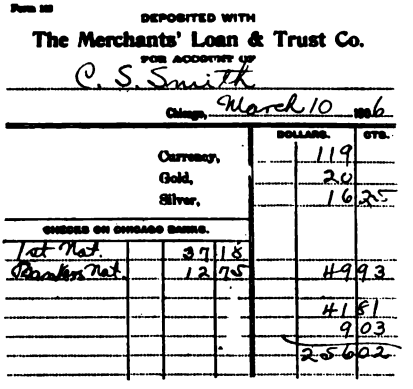
FIG. 108.—DEPOSIT SLIP.

The customer is next provided with a pad of deposit tickets, one of which he fills out for his first deposit, with help from the new accounts teller if necessary. A customary form of deposit-slip is shown in Figure 108. Figure 109 shows another form providing for the separate listing of checks on local banks. For customers whose deposits are apt to include long lists of checks, larger slips in much the same form are provided, double columns for amounts often being used.

The customer is next given a pass-book, in which is entered his name and the date and amount of the first deposit. It is a great convenience to have the customer's name written on the front cover of the pass-book, and this is usually done. The pages in the old-style pass-book, still used

Digitized by Google

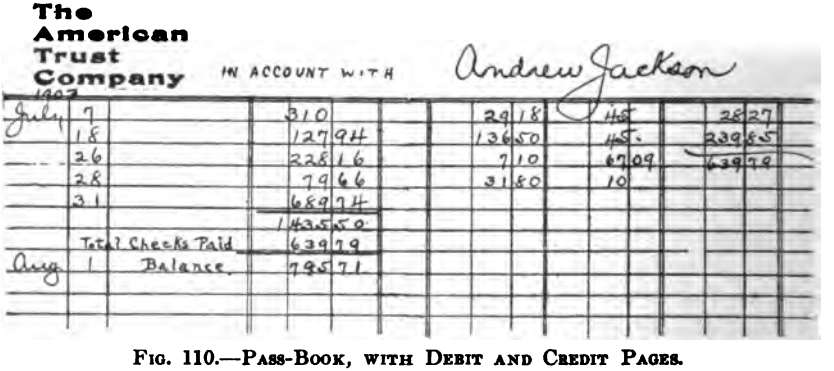
in many institutions, particularly in the East, are usually ruled as shown in Figure 110, the deposits being entered, as debits to the trust company, on the left-hand page; and the checks being entered, when the book is left to be balanced, on the right-hand page, as shown in the figure. It is now more common, however, to list the checks on an adding-machine, entering in the pass-book only the total of the checks, and subtracting such total from the footing of the deposits to show the balance. In such case the pages of the pass-book are not regarded as debit and credit pages; the book being simply a record of deposits, which are entered on either the left-hand or right-hand page of the book when the previous page is filled, as is shown in Figure 111. Rubber stamps are used to insert the words "total checks paid" and "balance," and the lines, when the book is balanced.


DEPOSITED WITH
The Merchants' Loan & Trust Co.
FOR ACCOUNT OF
C. S. Smith
Chicago, March 10 1896

	DOLLARS.	CTS.
Currency,	119	
Gold,	20	
Silver,	16	25
CHECKS ON CHICAGO BANKS.		
1st Nat. 37 18		
Boston Nat. 12 75	49 93	
	41 81	
	9 03	
	256 02	

FIG. 109.—DEPOSIT SLIP.

Several different sizes of pass-books are usually kept in stock to accommodate accounts of all degrees of activity, the rulings of all pass-books being the same, following either the form shown in Figure 110 or that shown in Figure 111. Some companies provide special pass-books for the use of women customers, of size small enough (about 3¼ by 2½ inches) to be carried in a woman's pocket-book.


The American Trust Company IN ACCOUNT WITH Andrew Jackson

1903											
July	7		310			29	18	45		28	27
	18		127	94		136	50	45		239	85
	26		228	16		7	10	67	09	639	79
	28		79	66		31	80	10			
	31		689	74							
			1435	50							
		Total Checks Paid	639	79							
Aug	1	Balance	795	71							

FIG. 110.—PASS-BOOK, WITH DEBIT AND CREDIT PAGES.

Digitized by Google

Depositors very frequently forget to bring their pass-books when making a deposit. In such cases it is convenient to have a form of duplicate deposit-slip to hand to the customer in lieu of the entry of the deposit in his pass-book. Figure 112 shows one form of a duplicate deposit-slip. Instead of using such a form, however, many receiving tellers simply use a regular deposit-slip on which they copy the total from the slip handed in by the depositor, write the word "duplicate" and sign their names or initials. Sometimes a rubber stamp with the words "Duplicate. ———— Teller" is used.

The next need of the depositor is a check-book. It is usual to have in stock several varieties of these, from books containing fifty checks of a

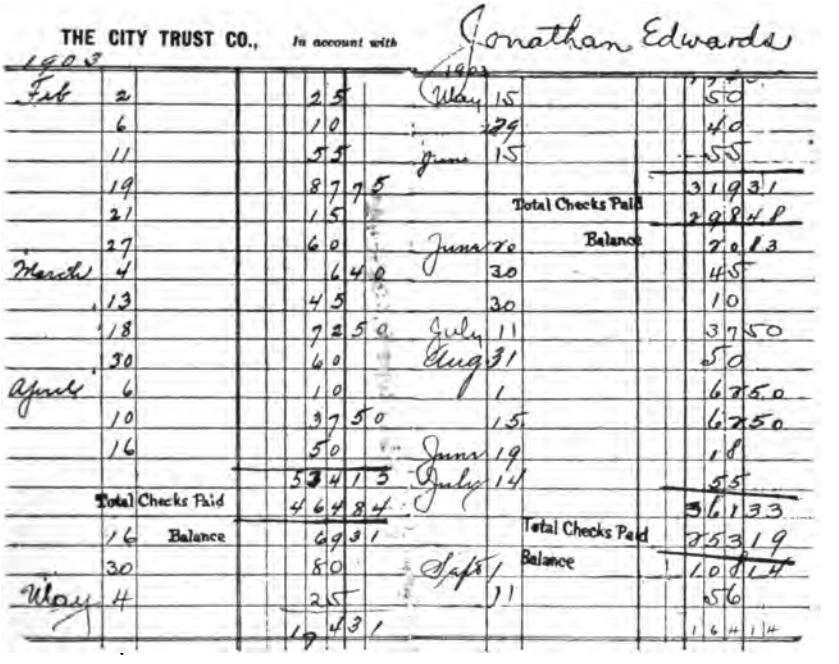
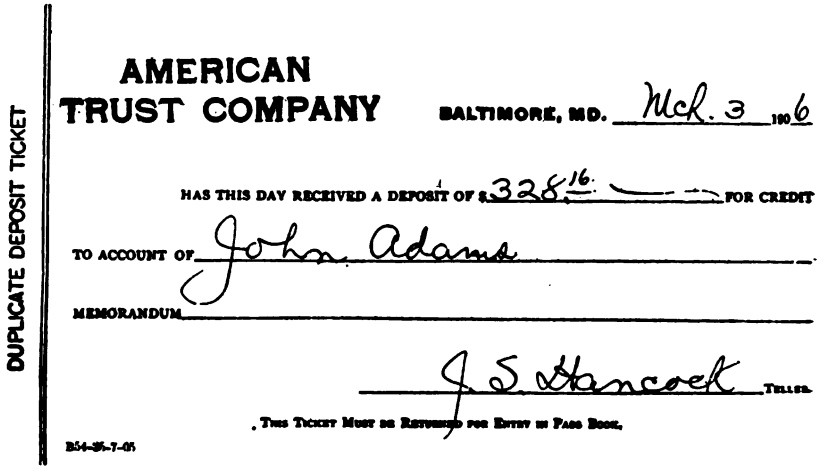


FIG. 111.—PASS-BOOK.

size suitable for carrying in the pocket to desk check-books containing three hundred or five hundred checks, three or more on a page, and sometimes even larger ones. The customer selects a check-book in accordance with his probable needs. If his account is to be of a considerable size, he leaves his order for the preparation of a book of checks on which are to be printed his name and business. This is often provided by the company without charge to the customer. The form of check which has come to be most common is shown in Figure 113, which also shows the check stub. In some checks the place for the number of the check is at the left upper corner, and in others in the left lower corner. Of more importance is the position of the figures showing the amount of the check,

Digitized by Google

that shown in Figure 113 being the result of an evolution in check forms, and being that which is by general consent regarded as the most convenient. This position for the figures is quite as convenient as any other for the person writing the check; while for the bank clerk who has to read off rapidly and accurately the amounts of a bunch of several hundred checks it is emphatically the most convenient place. As he holds the


DUPLICATE DEPOSIT TICKET

AMERICAN TRUST COMPANY BALTIMORE, MD. Mch. 3 1906

HAS THIS DAY RECEIVED A DEPOSIT OF $328.16 FOR CREDIT

TO ACCOUNT OF John Adams

MEMORANDUM

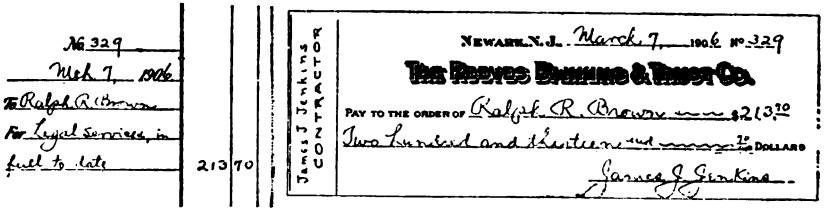
J. S. Hancock TELLER

THIS TICKET MUST BE RETURNED FOR ENTRY IN PASS BOOK.

B54-35-7-05

FIG. 112.—DUPLICATE DEPOSIT SLIP.

bunch of checks with his left hand and turns the checks with his right hand, the amounts of the several checks as given in figures are easily read by him if in the position shown in Figure 113, and are easily compared with the written amount of the check. If they appear at the left end of the check, it is necessary for him to turn each check to read the amount in figures. It would be a great boon to the workers in banks


No 329
Mch 7, 1906
To Ralph R. Brown
For Legal Services, in full to date
213 70

James J. Jenkins CONTRACTOR

NEWARK, N.J. March 7, 1906 No 329

THE REEVES BUILDING & TRUST CO.

PAY TO THE ORDER OF Ralph R. Brown $213.70

Two hundred and thirteen and 70/100 DOLLARS

James J. Jenkins

FIG. 113.—CHECK, WITH STUB.

and trust companies if this position for the figures were universally adopted on all checks and drafts.

Check-books are usually made up with a stub for each check, for the purpose of enabling the customer to keep a record of his checks on the stubs, although separate sheets for such records are sometimes inserted in the check-book. One of the most common forms of such stubs is shown

Digitized by Google

with the check in Figure 113. Figure 114 shows another form frequently used with pocket check-books. That shown in Figure 113 is specially useful where three or more checks are bound on each page, as the amounts of all the checks on the page, being extended in the column at the right, may be easily footed and carried forward to the next page. A record of deposits and any other memoranda such as the customer's reconcilement of the account at the end of the month, may be kept on the backs of the stubs.

It is customary to provide "counter checks" to be used only by the customer in person for such purposes as drawing for cash, for a draft, etc. Two forms of such a check are shown in Figure 115 and Figure 116. Sometimes the ordinary check of the company, with the words "Counter Check" printed on it in large type, is used for this purpose.

No. 329
Date Mch. 7, 1916
To Ralph R. Brown
For Legal services

	Dollars.	Cents.
Bal. brought forward	978	16
Am't deposited	200	
Total	1178	16
Amount of this Check	213	70
Bal. carried forward	964	46

FIG. 114.—CHECK STUB.

VOUCHER CHECKS.

The use of voucher checks is steadily increasing, and it is of importance to the banks and trust companies to encourage the use of the best forms for such checks. Many of the forms in use are exceedingly cumbersome and there is a decided lack of uniformity in them. The name of the paying bank, the amount of the check, the places for receipt and for endorsement, are found in all conceivable places on the check, so that the bank clerk who has to handle them often loses valuable time that might be saved if there were a uniform style of voucher check devised with a view to convenience in handling. Another objection to many voucher checks is that the bank is held responsible for the signatures of a number of different persons which appear on the check. It is unreasonable to ask the bank to be responsible for more than two such signatures; if the concern issuing the check considers it necessary to have

Digitized by Google

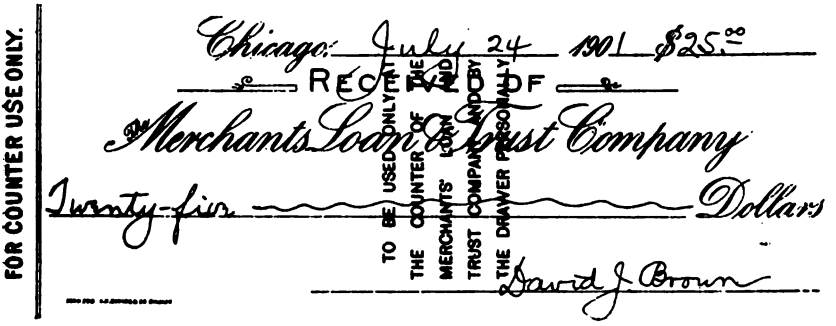


FIG. 115.—COUNTER CHECK, RECEIPT FORM.

more signatures on the document, the official who signs last should be responsible for the previous signatures, the responsibility of the bank ceasing with the final or at most with the last two signatures. Other objections to many voucher checks are the stating of conditions of payment which put in doubt the negotiability of the instrument, and the requirement of both a receipt and endorsement from the payee. Whether the receipt adds anything to the endorsement of the check is, to say the least, a matter of doubt; and it certainly adds much to the labor of handling the check.

Another thing to be noted about voucher checks is that the *folded* check, which is a great nuisance to the banks, is often used when a single piece of paper of the size of an ordinary check, or a little larger, would answer the purpose fully as well. It is possible to provide room on the face or back of the check for such detailed statement of account as is usually considered desirable on a voucher check, as is proved by several good forms of such instruments that are in daily use. Figure 117 shows an excellent form. Its size is 8⅝ by 3¾ inches—only a little larger than the ordinary check—and yet statement space is provided of ample width and with seven lines for items. The back of this check is plain except for the words, "Endorsement by the payee is acknowledgment of full payment and satisfaction of the within account." Another form, giving less space for the statement, is shown in Figure 118. Figure 119 shows

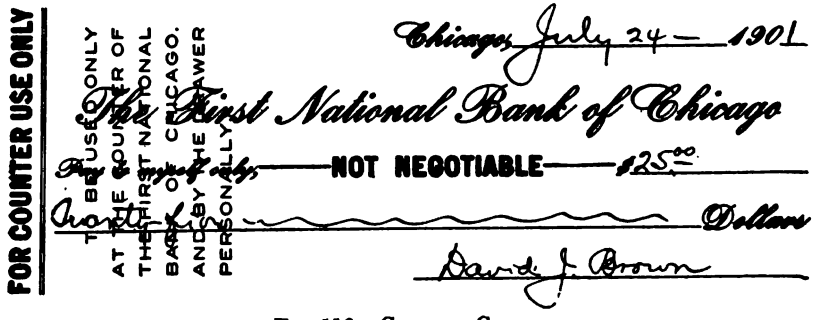


FIG. 116.—COUNTER CHECK.

Digitized by Google

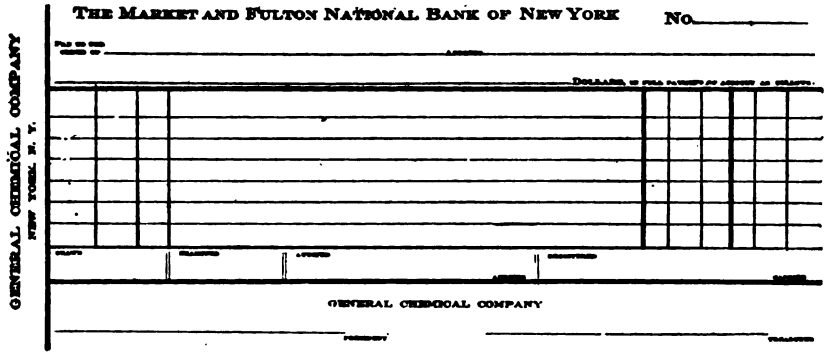


FIG. 117.—VOUCHER CHECK.

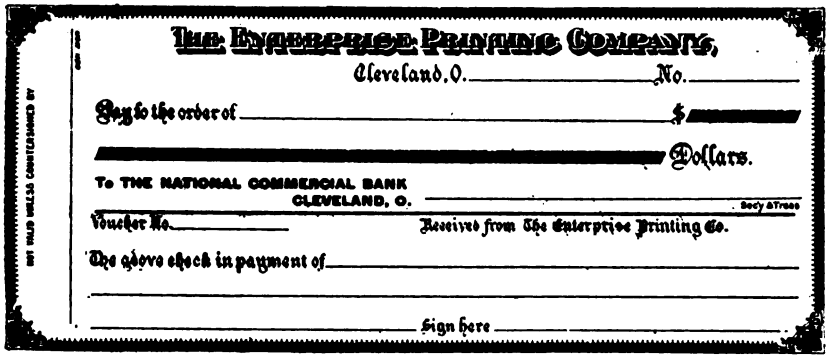


FIG. 118.—VOUCHER CHECK.

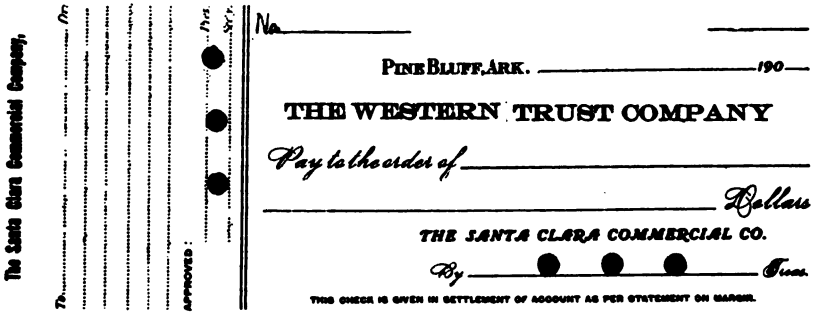


FIG. 119.—VOUCHER CHECK.

a form having provision for a statement at the end of the check. These forms show three possible places on the face of a check for the statement. It is also possible to provide for the statement on the back of the check, as shown in Figure 120, which represents the back of the check whose face is shown in Figure 121.

Digitized by Google

It is certain that by the use of forms similar to these the necessity of folded voucher checks could often be avoided. There are concerns, however, the nature of whose accounts seems to require the folded form of

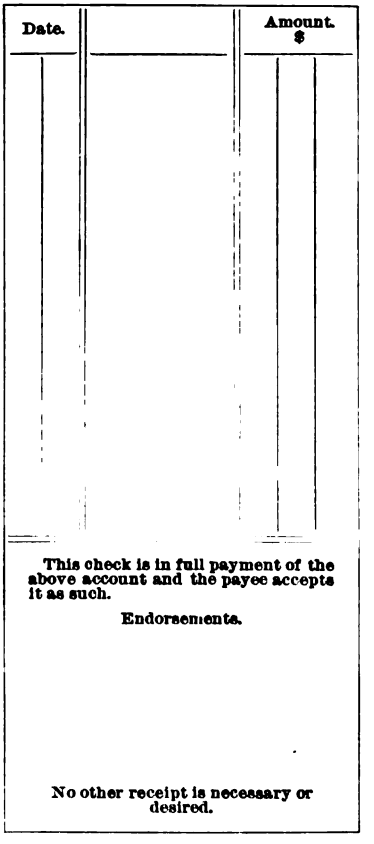


FIG. 120.—BACK OF VOUCHER CHECK.

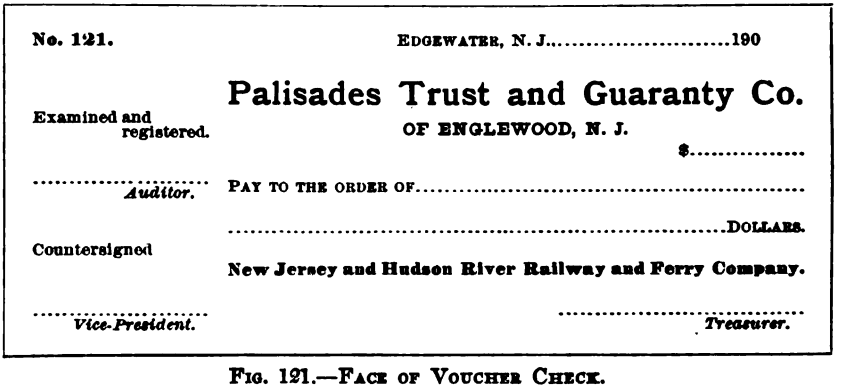


FIG. 121.—FACE OF VOUCHER CHECK.

Digitized by Google

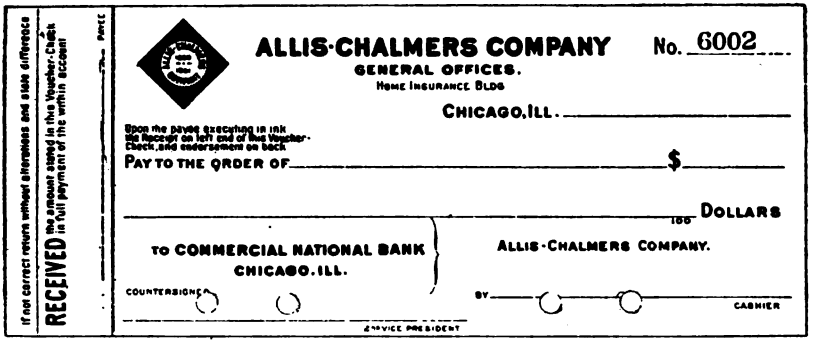


FIG. 122.—FACE OF FOLDED VOUCHER CHECK.

voucher check. In such cases the convenience of the banks which must handle the checks would be greatly conserved if all information needed by the bank were to be found on the *outside* of the check when folded. It ought not to be necessary for the bank clerk to *unfold* a voucher check as he handles it with other checks in the regular course of business. The desired result can be accomplished by making the front of the folded voucher a regular check form, and having all endorsements appear on the

ALLIS-CHALMERS COMPANY

VOUCHER-CHECK.

To

STATEMENT

DATE	DESCRIPTION	AMOUNT	AMOUNT.

Account and extensions correct

CHIEF ACCOUNTANT

Approved for payment

COMPTROLLER

FIG. 123.—INSIDE OF FOLDED VOUCHER CHECK.

Digitized by Google

back of the folded voucher. Figure 122 shows the face of one of the best forms of folded voucher checks in use. It will be noticed that this has the appearance of an ordinary draft-form check. The other side of the folded voucher is blank save for the words at the top, "Make all endorsements here." The information needed by the bank is all on the outside of the folded voucher, so that the bank clerk is not put to the necessity of unfolding this document. Although a receipt in addition to an endorsement is required, such receipt appears on the face of the check, at the end, where it is easily seen. Some voucher checks of the same general form as this one do not call for a receipt, the endorsement being considered all that is necessary. In such cases the check usually reads, "When properly endorsed, pay to the order of ————" etc., "In full payment of the within account." From the standpoint of the bank this is of course an improvement over the form which requires both a receipt and an endorsement; while, as already suggested, it is doubtful whether the drawer of the check gains anything by having the receipt in addition to the endorsement. Figure 123 shows the inside of this voucher check when unfolded.

Teller's Records.

The different tellers keep records of their daily work and prove its correctness on books or sheets of paper variously known as "scratchers," "settlement books," or "proofs." In its original form this record was merely a rough memorandum used by the teller to balance his cash, containing simply lists of items on which cash was received or paid, and the cash count. This is all that is needed in a small bank having only one teller and one bookkeeper, for in such case the keeping of a complete proof such as is described below is merely a duplication of the work of the bookkeeper. But in a large institution having a number of tellers and bookkeepers the system of proofs should be such as to test the accuracy of each man's work in its relations to the work of every other man in the institution. Such systems are now in use in the most progressive companies, and have put an end to the continual "checking back" to locate errors and strike a balance of general cash, which was and is a burdensome feature of the work in banks where a general system of proofs is not in use.

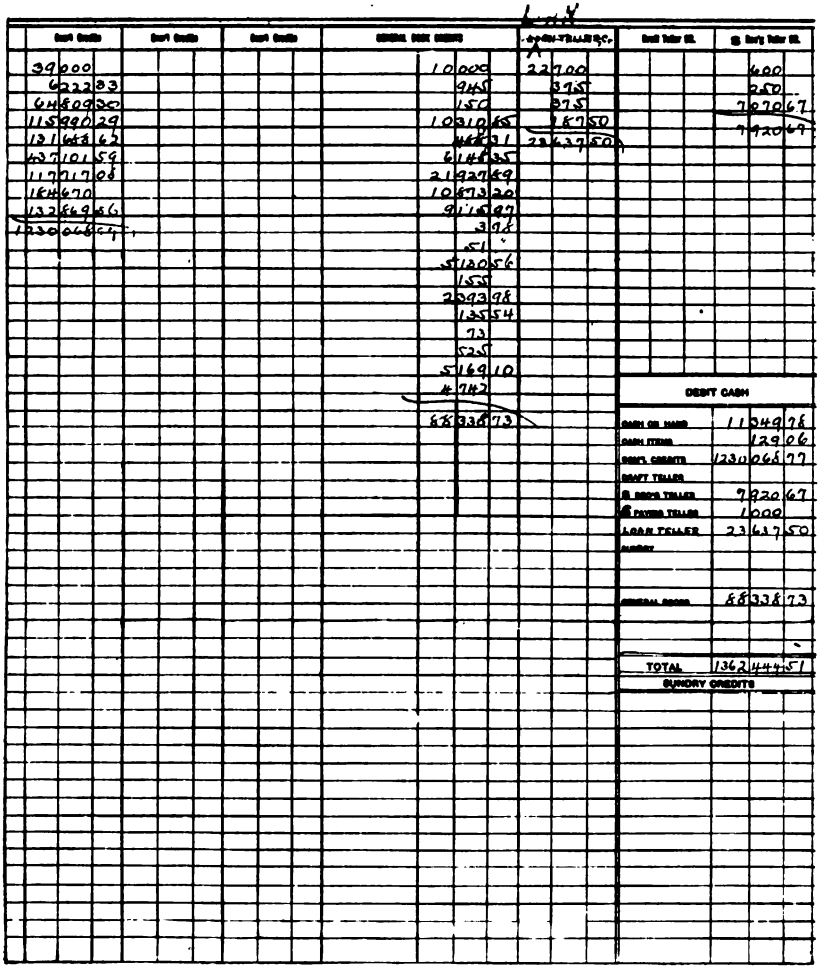
The particular form of the proof for each teller or bookkeeper will of course depend upon the number of such workers and upon the general arrangement of the details of the work of the company; but the principle upon which the system of proofs here described is based will apply to any institution, no matter what the number of workers or the arrangement of the work. This principle is, that the proof of each worker should contain a separate list of the items received from or delivered to each of the other workers. This is illustrated in figures 124 to 127, from a study of which the system will be made clear.[73] On the Receiving

73 See also Figure 146.

Digitized by Google

Tellers' Proof, figure 124, left-hand page, the first columns provide for the listing of "Commercial Credits," i. e., deposits received for checking accounts. Space is provided for the separate listing of each deposit; but instead of this the teller has here made use of the adding-machine, his assistant having taken the deposit slips received, at frequent intervals,

RECEIVING TELLER CASH PROOF



DEBIT CASH	
CASH ON HAND	11549 76
CASH ITEMS	129 06
COM'L CREDITS	1230068 77
DRAFT TELLER	
G. BOOK TELLER	7920 67
PAYING TELLER	1000
LOAN TELLER	23617 50
SUNDRY	
GENERAL BOOKS	68338 73
TOTAL	1362445 51
SUNDRY CREDITS	

FIG. 124.—RECEIVING TELLER'S PROOF, LEFT-HAND PAGE.

listed them on the adding-machine and entered the totals on the proof. By reference to Figure 127, under the heading "Deposits" at the right lower corner, it will be seen that the Individual Bookkeepers' Proof debits the receiving teller with the same total as here shown credited to "Com'l Credits," $1,230,068.77. Under "General Book Credits" is given

Digitized by Google

a list of all credits for the general books passing through the hands of the receiving teller. The total of these items agrees with the total of debits to the receiving teller on the proof of the general bookkeeper. On the right-hand page of Figure 124, the total of "Commercial Debits," $173,586.52, will be seen to agree with the total listed to receiving teller

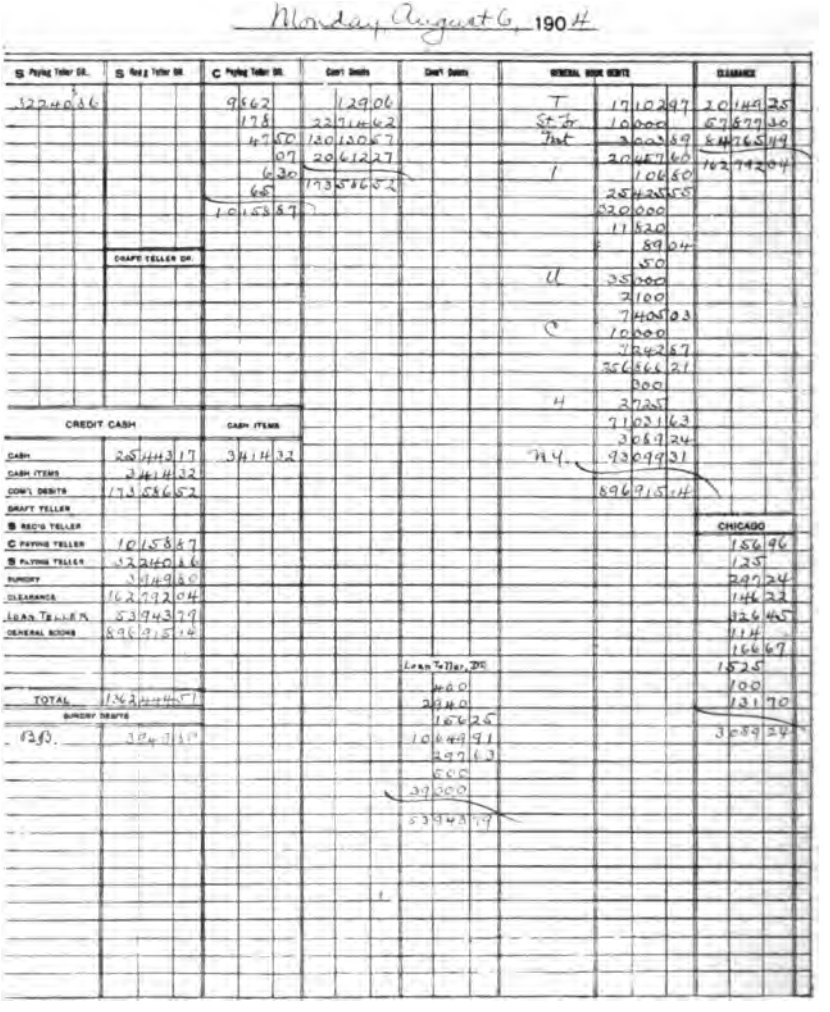


FIG. 124.—RECEIVING TELLER'S PROOF, RIGHT-HAND PAGE.

under "Items on Us" in the Individual Bookkeepers' Proof (Figure 127). Here again the teller has entered on his proof adding-machine totals of the items, instead of listing each item. Referring again to the right-hand page of Figure 124, it will be seen that the items and the totals listed under the heading "C Paying Teller, Dr." agree with the items

Digitized by Google

listed to the credit of the receiving teller on the left-hand page of Figure 125. If all the proofs in the system were here shown, it would be seen that the list of debits to each worker on the receiving teller's proof appears on the proof of such worker as a list of credits to the receiving teller, and *vice versa*. It is therefore evident that if any teller or bookkeeper fails to balance on completing his proof, he has but to compare his proof with those of the other tellers or bookkeepers to locate his error. If, for example, on the left-hand page of Figure 125, the paying teller had

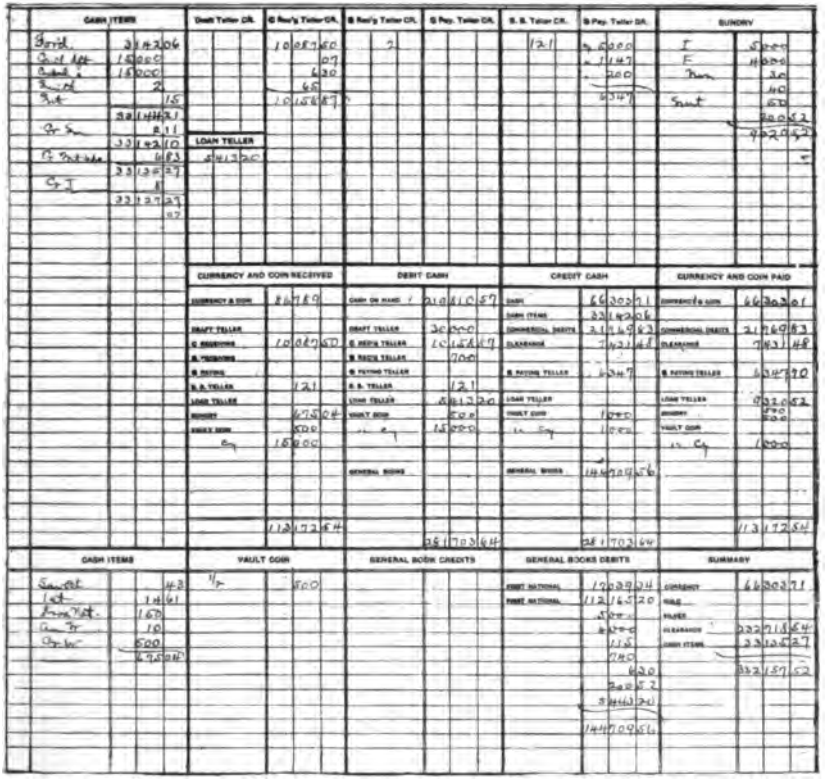


FIG. 125.—PAYING TELLER'S PROOF, LEFT-HAND PAGE.

failed to credit the receiving teller with the $6.30 item, his proof would show a total credit to receiving teller of $10,152.57 instead of $10,158.87, and consequently his total of "Debit Cash" would be $6.30 less than the total of "Credit Cash," showing an "over" of $6.30. On comparing his proof with that of the receiving teller, the error would be easily located. Under the same conditions, without a general proof system, this little item of $6.30 might cause the loss of several hours' time in "checking back." It is evident, too, that such a system as this enables each worker

Digitized by Google

to complete his own work as soon as he has proved its correctness, instead of all the workers being delayed by the error of one, as is often the case where no general system of proofs is used. The writer has seen the introduction of such a proof system in an old institution result in every man being able to leave the bank with his work done at about five o'clock, whereas under the old conditions it had been the custom to "check for cash" until a late hour in the evening every few days.

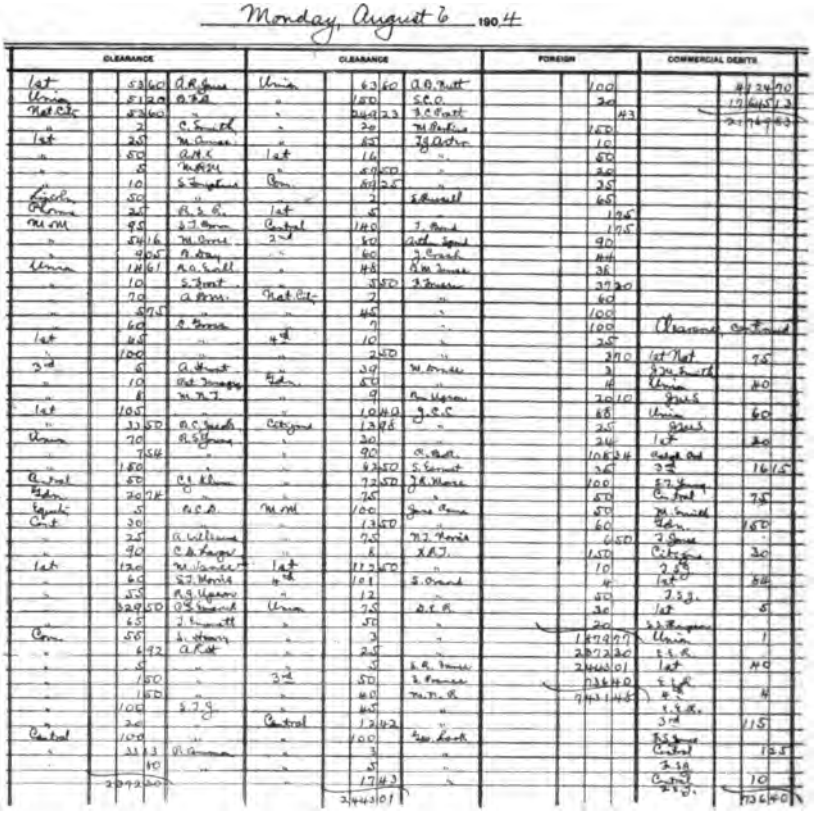


FIG. 125.—PAYING TELLER'S PROOF, RIGHT-HAND PAGE.

Referring again to Figure 124, at the close of the day the work is summarised by entering the totals of the various columns on the left-hand page under the heading "Debit Cash," and the totals of those on the right-hand page under the heading "Credit Cash." If the work is correct the totals of these columns will agree, as shown in the figure. If they do not agree the teller proceeds, as already suggested, to compare the totals of the columns of his proof with those shown on the proofs of the other tellers or bookkeepers, and thus soon finds the mistake.

Digitized by Google

The actual count of cash at the close of the day is sometimes listed on the proof, and sometimes listed on separate sheets of paper, which are preserved for some months. In the latter case the total count only is entered on the proof, as shown on the left-hand page of Figure 125, the first item under "Credit Cash," where the paying teller has entered his cash count total, $66,303.71. On the right-hand page of this same figure the teller has gone to the pains of recording the names of the drawee bank and the last endorser of each check cashed by him. This, of course, involves some work, but is evidently a valuable safeguard.

GENERAL CASH Monday, Aug 6 1904

CASH		CLEARANCE		CASH ITEMS	
Youth Gold	45500				
" Currency	54200				
" Coin	37625				
		Gen'l Bookkeeper			
Draft Teller	341037	Draft Teller	24933	Draft Teller	
Cash'r Rec. Teller	254431	Cash'r Rec. Teller	6279204	Cash'r Rec. Teller	341432
" Pay. "	663037	" Pay. Teller	743148	" Pay. Teller	3312729
Sec. Rec. "	279492	Sec. Rec. Teller	1092992	Sec. Rec. Teller	249805
" Pay. "	67616	" Pay. Teller	4544687	" Pay. Teller	229342
Branch B. "	57514	Branch B Teller	52739	Branch B Teller	
Loan Teller	71688	Loan Teller	534151	Loan Teller	26390
Cash House	4159698				
Clearance	23271854	Total Clearance	23271854	Total Cash Items	4159698
Total Cash	52262272	O.K.			

FIG. 126.—SUMMARY OF GENERAL CASH.

Figure 126 shows the "general cash" statement made up by the paying teller at the close of the day, showing the total cash, cash items and clearance, and their distribution among the various tellers.

THE INDIVIDUAL BOOKS.

The Individual Bookkeeper's Proof, which is a part of the general system of proofs, is shown in Figure 127. Like the other proofs mentioned it is of course devised with a view to the particular needs of the company using it. The accounts are divided alphabetically into four

Digitized by Google

groups, as shown on the proof, A to D, E to J, K to R and S to Z. Under the headings named the proof shows the total checks for the day against each group. These are summarized at the right lower corner of the figure, showing a total of $1,831,604.92, which agrees with the total shown under "Items on Us," which gives the same items arranged according to the sources from which they came. The first totals under the headings "A to D," etc., are those of the checks received from the clearing-house. These are carried to the places indicated under the heading "Summary" at the left lower corner of the figure, where is given the

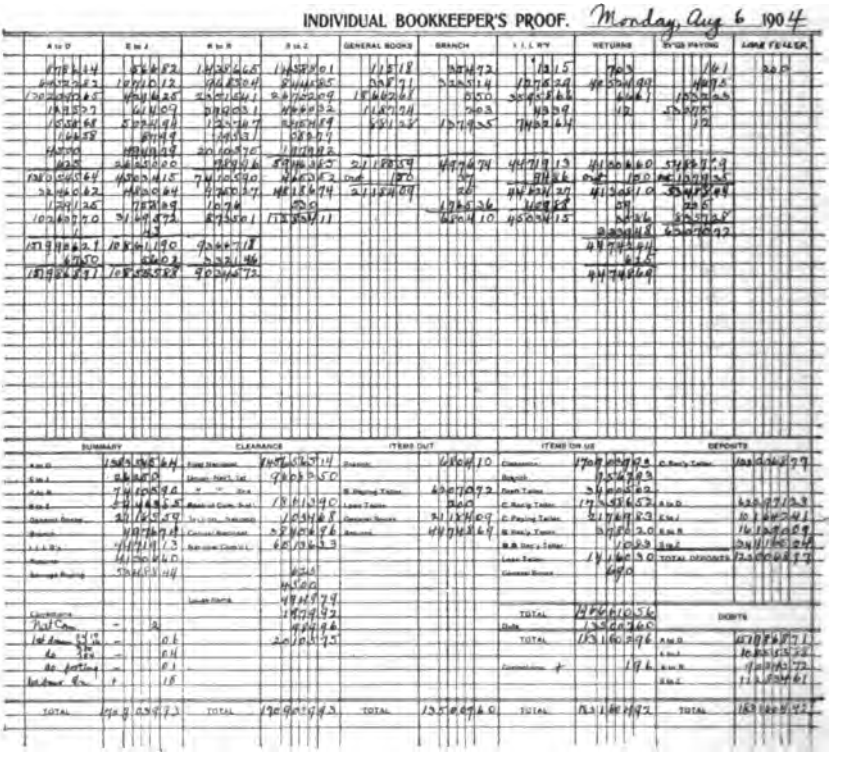


FIG. 127.—INDIVIDUAL BOOKKEEPER'S PROOF.

proof of the "Clearance." Provision is made for the listing of the inevitable corrections of the clearance lists. The column headed "Items Out is for the listing of items received by the individual bookkeeper in the clearance, but which belong not on the individual books, but on the general books, savings books, etc. The proof of the credits on the individual books is shown just above that of the debits at the right lower corner of the figure. The total of the adding-machine list of deposits received by the receiving teller is placed at the top, and with this must agree the totals of deposits shown on the ledgers.

Digitized by Google

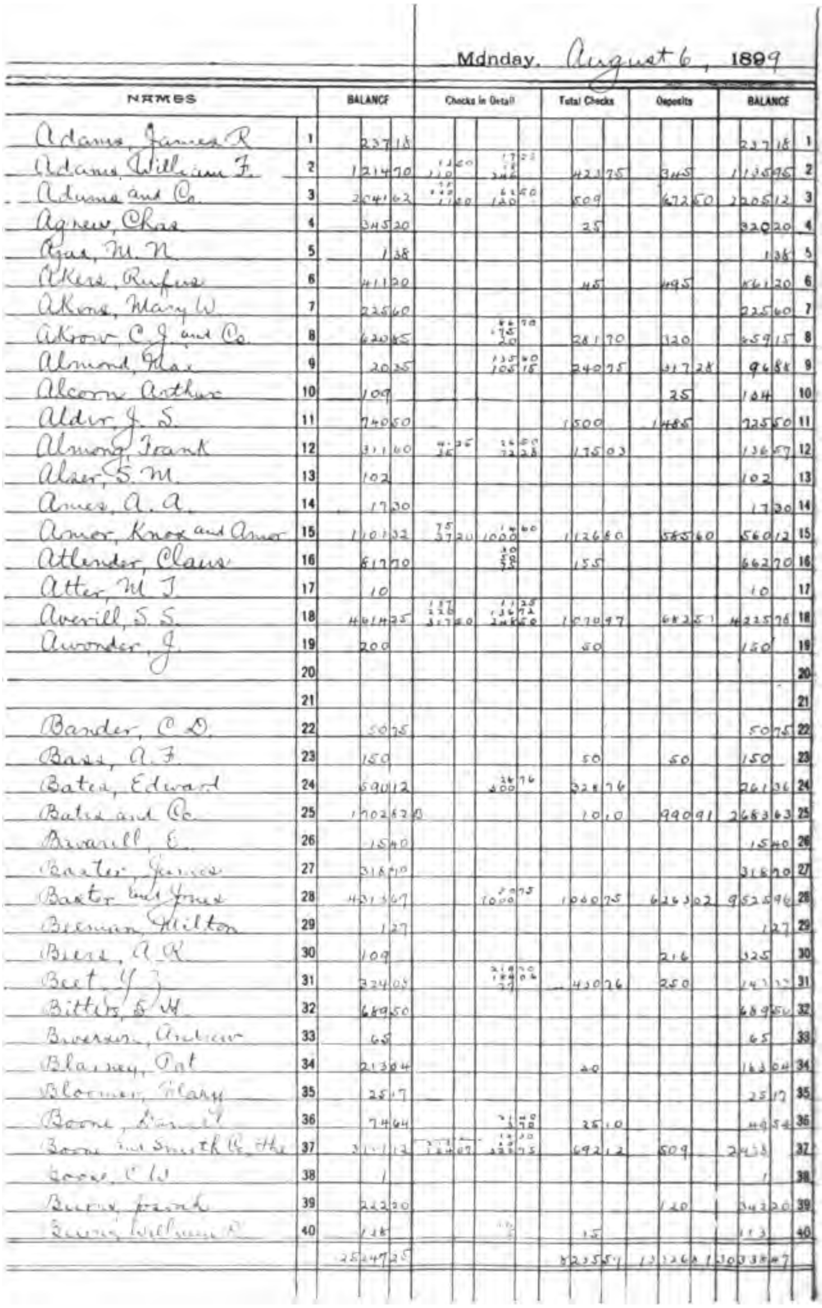
The Boston Ledger.

For the keeping of individual accounts the system probably most common is that of using the "Boston" combined journal and ledger for the more active accounts, together with a journal and balance ledger for the less active ones. As in the case of other banks, however, local conditions and the prevailing character of the accounts, together with the personal preferences of the officers, result in the choice of different methods of keeping the individual accounts in different companies. On the average the commercial accounts of trust companies are apt to be less active and of smaller balances than those of national banks.

The "Boston Ledger," a form of which is shown in Figure 128, is a combined journal and ledger. The entries are made directly from the deposit slips and the checks. The open book shows the work for one week, that for the first three days being on the left-hand page, and that for the last three days being on the right-hand page. Figure 128 shows only the left-hand page. The right-hand page is ruled in the same way, with the headings Thursday, Friday and Saturday, but usually does not contain a column for the names of depositors, the line for the account of each depositor being followed across the two pages without repetition of the name by the help of the numbers, which, as shown in the figure, are repeated for each day. A further aid in this matter is to have the transverse lines ruled in two or three different colors. In the sample from which Figure 128 is engraved, the first line is ruled in purple ink, the second in blue and the third in red; these colors being repeated in the same order throughout the page. Some companies have the name repeated on the second page as an additional help in following the proper line for each account. In making up the book it is customary to have three out of every four pages cut "short," omitting the column headed "names," so that four weeks' work may be recorded without rewriting the names. A convenient plan is to have these short leaves cut just after the figures in the column immediately following the list of names, and the page creased at the heavy line just after the first balance column. Then by bending over this first balance column the balances for Saturday are extended therein, so that when it is folded back again the balances appear just before the work for the following Monday without copying. The method for proving the work for each day on each page of this ledger is simple. If the work has been done correctly, the total of the balance column for the preceding day, plus the total of the deposits column and minus the total of the total checks column, must equal the total of the day's balance column.

While the form of Boston Ledger shown here is probably the most common one, several variations from it are often found. Many companies prefer to have the deposits column follow immediately after the balance column, so that the bookkeeper may more readily "extend" the balances in his head, the principle being that with this arrangement he can more

Digitized by Google



Monday, August 6, 1899

No.	NAMES	BALANCE	Checks in Detail	Total Checks	Deposits	BALANCE
1	Adams, James R.	237 18				237 18
2	Adams, William F.	1214 70	[illegible]	423 75	345	1135 95
3	Adams and Co.	2041 62	[illegible]	509	672 50	2205 12
4	Agnew, Chas	345 20		25		320 20
5	Agar, M. N.	1 38				1 38
6	Akers, Rufus	411 20		45	495	861 20
7	Akens, Mary W.	225 60				225 60
8	Akrow, C. J. and Co.	620 85	[illegible]	281 70	320	659 15
9	Almond, Max	20 35	135 40 105 15	240 75	317 28	96 88
10	Alcorn, Arthur	109			25	104
11	Alder, J. S.	740 50		1500	1485	725 50
12	Almong, Frank	311 60	[illegible]	175 03		136 57
13	Alaer, S. M.	102				102
14	Ames, A. A.	17 30				17 30
15	Amor, Knox and Amor	1101 32	[illegible]	1126 80	585 60	560 12
16	Atlender, Claus	617 70	[illegible]	155		662 70
17	Atter, M. T.	10				10
18	Averill, S. S.	4614 25	[illegible]	1070 97	682 51	4225 76
19	Awonder, J.	200		50		150
20						
21						
22	Bander, C. D.	50 75				50 75
23	Bass, A. F.	150		50	50	150
24	Bates, Edward	590 12	[illegible]	328 76		261 36
25	Bates and Co.	1702 62		10 10	990 91	2683 63
26	Bwarill, E.	15 40				15 40
27	Baxter, James	318 20				318 20
28	Baxter and Jones	4313 67	[illegible]	1040 75	6263 02	9525 96
29	Beeman, Milton	1 27				1 27
30	Beers, A. R.	109			216	325
31	Beet, Y. J.	224 03	[illegible]	450 76	250	[illegible]
32	Bitters, E. H.	689 50				689 50
33	Biverson, Andrew	65				65
34	Blarney, Pat	213 04		20		163 04
35	Bloomer, Mary	25 17				25 17
36	Boone, Daniel	74 64	[illegible]	25 10		49 54
37	Boone and Smith Co., the	3111 12	[illegible]	692 12	509	[illegible]
38	Boone, C. W.	1				1
39	Burns, Frank	222 20			120	342 20
40	Burns, William R.	128		15		113
		25247 25		8235 57	13126 61	30138 47

FIG. 128.—BOSTON LEDGER.

easily add the deposits to the previous balance and subtract the total checks from the sum of the two. This process is a rather puzzling one to the novice, but the experienced worker on the Boston Ledger does it

Digitized by Google

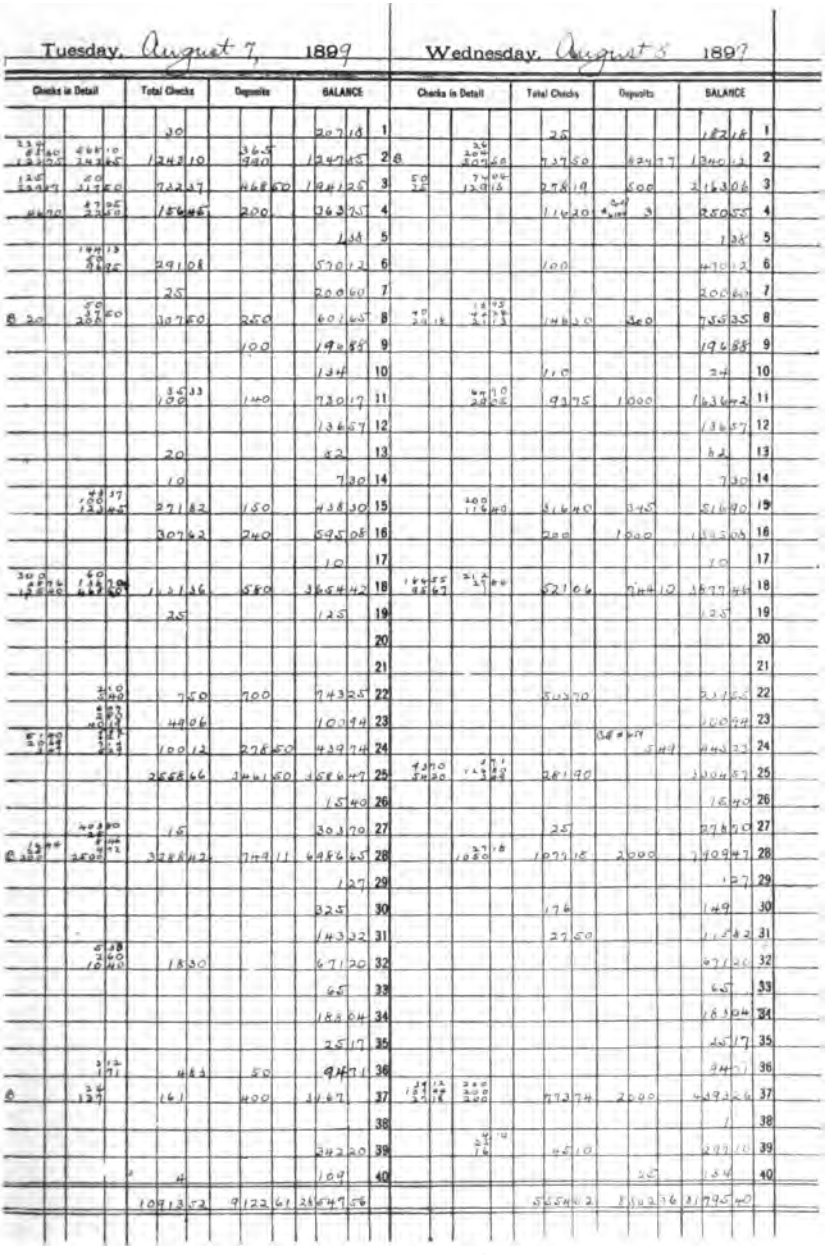


FIG. 128.—BOSTON LEDGER (Continued).

with ease. The older forms of Boston Ledger provided both a debit and a credit balance column, and this form is still in use. The more common plan, however, is to have the debit balances appear in red ink, so that only one balance column is needed. In the larger companies the names

Digitized by Google

of the customers are usually printed in, thus saving the bookkeeper much tedious copying. The size of the page is usually about twenty-two inches wide by eighteen inches deep; the number of accounts on a page varying from twenty to forty, depending upon the depth of the page and the space between the lines. The accounts are arranged in alphabetical order, several lines being left after each letter for new names that may need to be added. In large banks each ledger contains the accounts beginning with certain letters of the alphabet only: e. g., one contains accounts whose initial letters are from A to K, and another those whose initial letters are from L to Z. The letter "B" appearing after several of the balances in the figure indicates that the pass-books of the customers indicated were balanced on the dates shown. A check mark (V) is often used for this purpose, instead of "B."

The Boston Ledger has some decided merits and some distinct defects. Its merits include the great saving of time and labor in the combining of journal and ledger, which does away with posting; the readiness with which the total day's work may be proved; the grouping of all the accounts on a few pages, making it easy to compare the balances in different accounts; the prominence with which overdrafts appear, insuring that they shall not be overlooked.

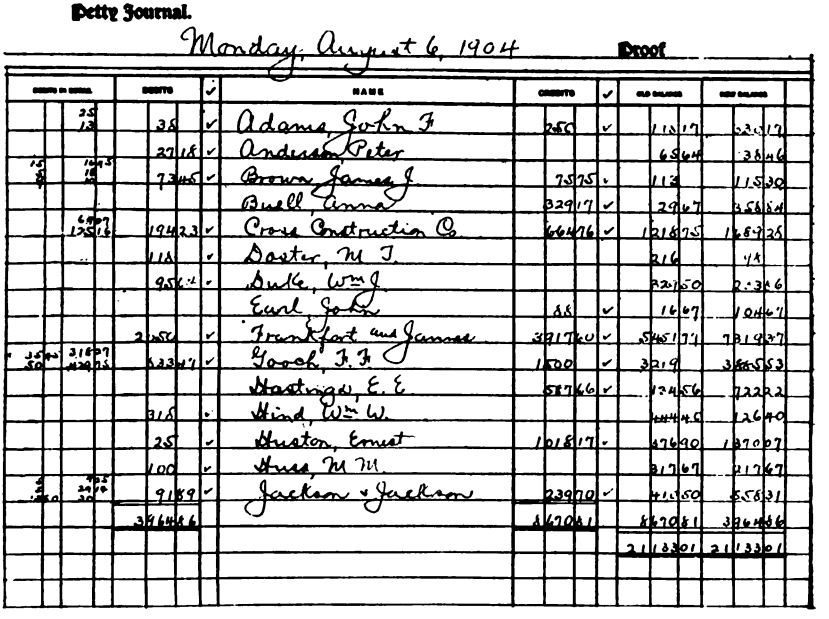
Among the defects of this ledger are the ease with which items may be entered on the wrong line and so be made to appear against the wrong account; the fact that it is comparatively difficult to ascertain the average balances that a given customer has carried for a series of weeks or months; and the fact that the balances of inactive accounts must be carried forward day by day along with those of active accounts. The size of the book is also considered objectionable by some.

The fact that the Boston Ledger is not adapted to the carrying of inactive accounts has led to the introduction of the system already mentioned, of using both a Boston Ledger and a balance ledger (Figure 130), with a special journal for the latter. The more active accounts are carried in the Boston Ledger and the less active ones in the other ledger, which is sometimes called the "inactive ledger," and sometimes the "petty ledger." The total of the balances in the petty ledger is carried as an account in the Boston Ledger, so that the total of balances in the latter shows the total balances for the whole set of books.

Figure 129 shows a form of journal to be used in connection with the petty ledger, containing also a form for the proof of posting. This form of journal (or "scratcher" as some prefer to call it) is a great improvement over the old form in which the deposits were recorded on one page and the checks on another, as the names of depositors having both deposits and checks need to be written but once, while nothing is sacrificed in the way of clearness or completeness of the record. On the left of the page the first column contains the detailed list of checks and the second column the total checks against each account. Columns are provided for the check-marks used in posting. The first column at the

Digitized by Google

right of the page is for the listing of deposits; while the two other columns are for the proof of posting. This furnishes a daily trial balance of all accounts active for the day. In the first column are listed the old balances, and in the second column the balances shown by the ledger accounts after the day's items are posted. At the bottom of the "Old Balance" column is listed the total of the day's credits; and at the bottom of the "New Balance" column, the total of the day's debits. Then, if the work has been done correctly, the footings of the two columns will agree. While this proof of posting adds somewhat to the bookkeeper's daily work, it insures the correct extension of balances, and lightens the task of the monthly trial balance of all the accounts in the ledgers.


Petty Journal.

Monday, August 6, 1904

Proof

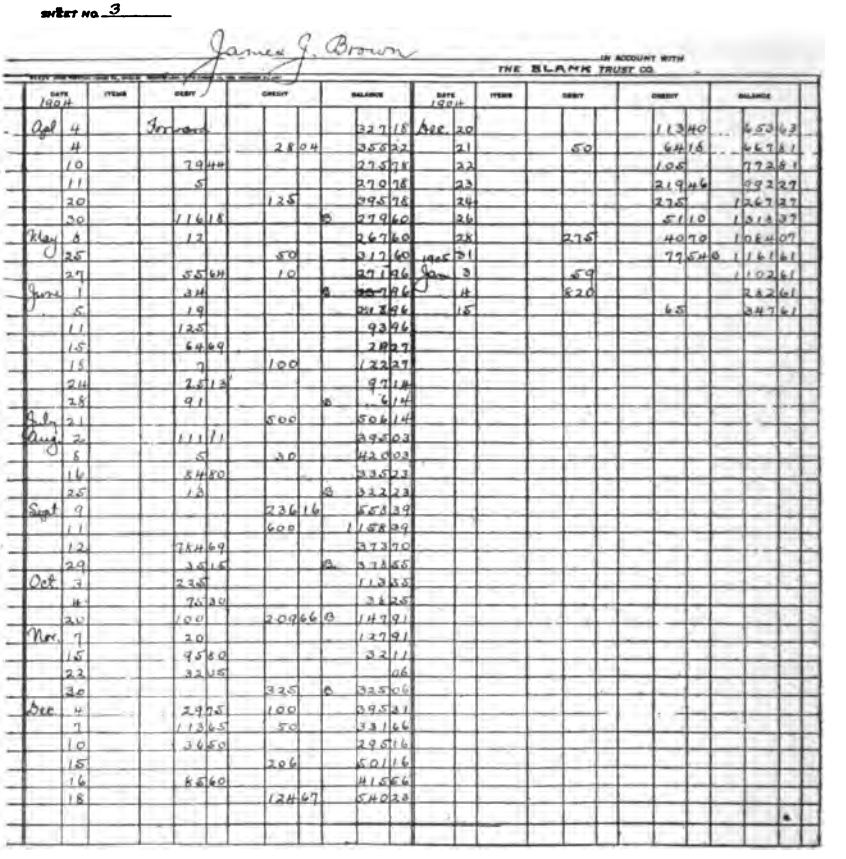
	25 13		38	✓	Adams, John F	250	✓	113 17	53 17		
			37 18	✓	Anderson, Peter			6564	3846		
15	1045 15		7346	✓	Brown, James J	7575	✓	113	11530		
					Buell, Anna	32917	✓	2967	35684		
	6907 17515 16		19423	✓	Cross Construction Co	66476	✓	121875	168926		
			118	✓	Dexter, M J			216	418		
			9564	✓	Duke, Wm J			32150	23346		
					Earl, John	68	✓	1667	10467		
			2458	✓	Frankfort and Jamaica	32176	✓	545177	731937		
35 50	31807 32975		53347	✓	Yoosh, F F	1500	✓	3219	35553		
					Hastings, E E	58766	✓	12456	72222		
			318	✓	Hind, Wm W			4445	12640		
			25	✓	Huston, Ernest	101817	✓	47690	137007		
			100	✓	Hunt, M M			21767	21767		
2	1905		9189	✓	Jackson & Jackson	23970	✓	41150	55631		
			396486			467081		467081	396486		
								2113301	2113301		

FIG. 129.—JOURNAL OR SCRATCHER, WITH PROOF OF POSTING.

A form of ledger used with the journal just described is shown in Figure 130. This is a modified form of the "Cincinnati" or three-column balance ledger. As compared with the Boston Ledger, this has the advantage of showing the balances of each account for a long period in a form that makes it convenient to see at a glance the average balance; while the carrying forward of unchanged balances is avoided. This form may be used in either a bound book or a loose-leaf binder. The latter is preferable, because it permits the arranging of the sheets in alphabetical order, making an index unnecessary; and because each account may be given as many or as few pages as it needs. The size of the sheet, exclusive of binding space for a loose-leaf binder, is about eleven by twelve inches.

Digitized by Google

Another form of check and deposit journal is shown in Figure 131. This is arranged much the same as the "Petty Journal" shown in Figure 129, but does not include the columns for proof of posting. The latter may be written, if desired, on separate sheets of paper; it may, by the exercise of a little ingenuity, be taken off on the adding machine; while some companies dispense with it altogether, relying upon the monthly trial balance to detect any possible errors in the computation of balances.


SHEET NO. 3

James G. Brown IN ACCOUNT WITH THE BLANK TRUST CO.

DATE 1904		ITEMS	DEBIT	CREDIT	BALANCE	DATE 1904		ITEMS	DEBIT	CREDIT	BALANCE
Apl	4		Forward		327 18	Dec	20			113 40	453 63
	4			28 04	355 22		21		50	64 16	467 81
	10		79 44		275 78		22			106	773 81
	11		5		270 78		23			219 46	992 27
	20			125	395 78		24			276	1267 27
	20		116 18		279 60		26			51 10	1318 37
May	8		12		267 60		28		276	40 70	1084 07
	25			50	317 60	1905	31			77 54	1161 61
	27		55 44	10	272 16	Jan	3		59		1102 61
Jun	1		34		238 16		11		820		282 61
	5		19		219 96		15			65	347 61
	11		125		93 96						
	15		64 69		29 27						
	15		7	100	122 27						
	24		25 13		97 14						
	28		91		6 14						
July	21			500	506 14						
Aug	2		111 11		395 03						
	8		5	30	420 03						
	16		84 80		335 23						
	25		10		322 23						
Sept	9			236 16	558 39						
	11			600	1158 39						
	12		78 69		379 70						
	29		36 15		343 55						
Oct.	3		230		113 55						
	14		75 30		38 25						
	20		100	2096 66	1479 91						
Nov.	7		20		1279 91						
	15		95 80		322 11						
	23		32 05		06						
	30			325	325 06						
Dec	4		29 75	100	395 81						
	7		112 65	50	333 66						
	10		36 50		297 16						
	15			206	503 16						
	16		46 60		456 56						
	18			124 67	581 23						

FIG. 130.—BALANCE LEDGER.

In some companies, particularly in the older and larger companies in the East, the old plan of having both debit and credit "scratchers" or journals is still in use. Under this plan the checks are listed on check scratchers, a form of which is shown in Figure 132, and the deposits are listed on deposit scratchers, a form of which is shown in Figure 133. In both of these forms, the columns at the right, not filled in in the figures, are for the continuation of the work begun in the first columns, thus giving space for more entries on each page. Often, however, only the

Digitized by Google

single ruling is included on each page. Various forms of ledgers are used with these scratchers, some companies still continuing the use of the old-fashioned two-column ledger, without a balance column—the ruling of the ledger being practically the same as that shown in Figure 133, with the addition of date columns on both debit and credit sides. In the newer companies, however, it is far more usual to employ one of the various forms of ledgers having balance columns.

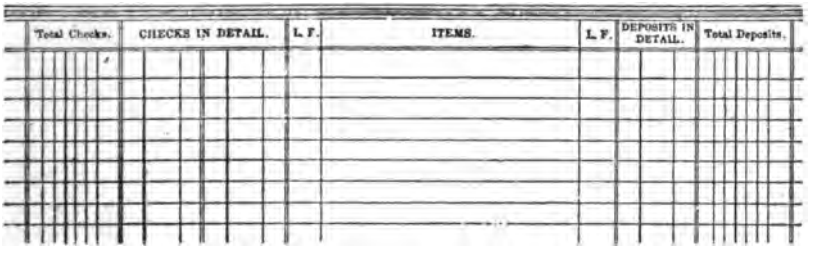


FIG. 131.—CHECK AND DEPOSIT JOURNAL.

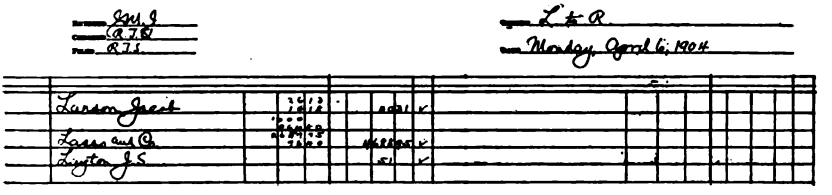


FIG. 132.—CHECK SCRATCHER.

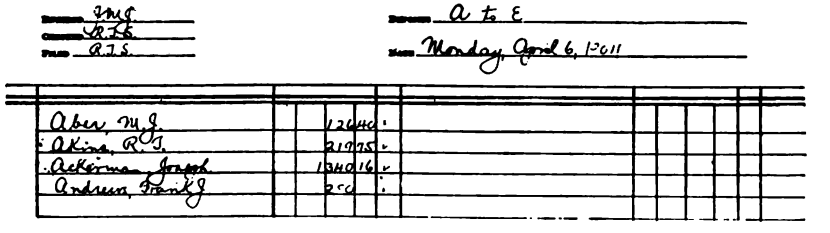


FIG. 133.—DEPOSIT SCRATCHER.

A number of plans have been devised to lessen the labor of keeping individual accounts, the particular aim being to do away, so far as possible, with the entering of items on both journal and ledger, the items being entered in the ledger directly from the original credit or deposit slips and from the checks. Figures 134 and 135 illustrate one set of forms devised with this end in view. The ledger, shown in Figure 135, is a modified form of Boston Ledger, involving some of the features of that ledger and some of the "Cincinnati" or three-column balance ledger. It may be either permanently bound or used with a loose-leaf binder, the

Digitized by Google

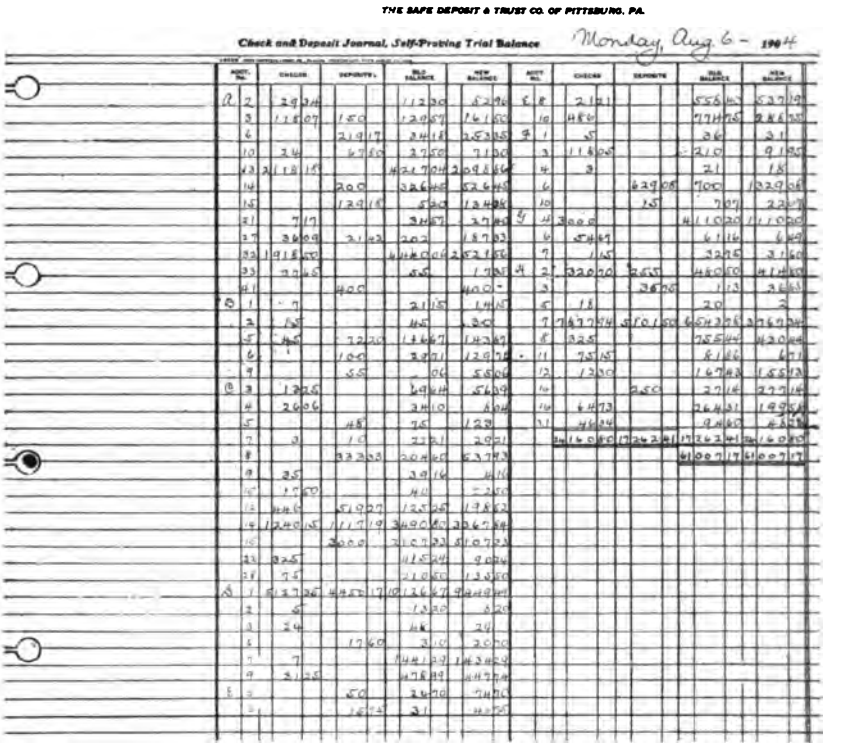


FIG. 134.—MEMORANDUM CHECK AND DEPOSIT JOURNAL, WITH TRIAL BALANCE.

latter being more usual. The entries are made in this ledger directly from the deposit slips and the checks; and, as will be seen from the figures, all the detail work is done in the ledger. As each account is posted in the ledger from the original items, the total debits and the total credits, together with the old and the new balances, are entered, from the ledger, in the form shown in Figure 134, which is an abbreviated journal combined with a proof of posting. Here, it will be noticed, the old practice

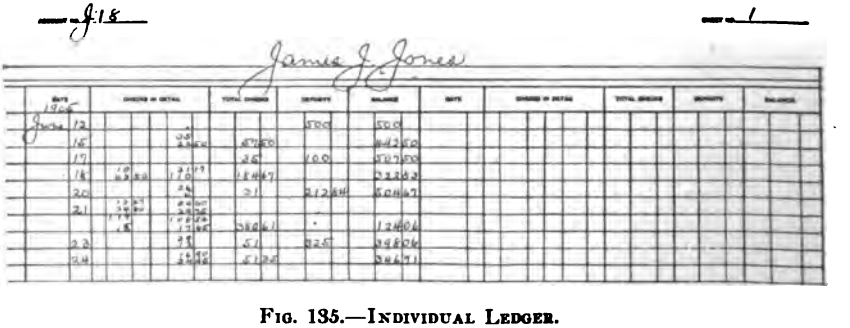


FIG. 135.—INDIVIDUAL LEDGER.

Digitized by Google

James Johnson

IN ACCOUNT WITH

THE PRUDENTIAL TRUST COMPANY

Interest Account for June 1905

	Debit Balance			Credit Balance
			28	56
			29	57
			30	63
			31	47
			1	42
			2	35
			3	68
			4	71
			5	8
			6	8
			7	44
			8	36
			9	22
			10	58
			11	58
			12	51
			13	49
			14	49
			15	49
			16	36
			17	78
			18	76
			19	79
			20	103
			21	67
			22	14
			23	9
			24	48
			25	51
			26	47
			27	64
				1686

We Credit at 2 % $9.23

We Debit at %

Amount Credited

FIG. 136.—INTEREST STATEMENT.

is reversed—the items being posted from the ledger into the journal, instead of vice versa. The use of the so-called journal in this case is merely to record the total day's work in compact form, and to prove that all items have been entered in the ledger. In order to abbreviate the work as much as possible, the accounts under each letter of the alphabet are numbered from 1 up: those whose initial letter is A being numbered A1,

Digitized by Google

A2, A3, etc.; those whose initial letter is B being numbered B1, B2, B3, etc. In the journal (Figure 134) instead of the names of the accounts these numbers are entered as a means of identifying the items. When the work of the day is completed, this "journal" will contain the totals of all the credits and debits for the day; and if the work has been done correctly, the totals of the "Checks" and "Deposits" columns will agree with the totals of these items as shown on the proofs. At the same time the footings of the "Old Balance" and the "New Balance" columns, with the total deposits added to the former, and the total checks added to the latter, will agree and furnish a proof of posting in the same manner as was explained in connection with Figure 129. If several ledgers are used, as is necessary in the larger companies, one of these journals is of course used with each ledger.

The custom of paying interest on daily balances on checking accounts which have satisfactory balances is a growing one. The terms on which interest is allowed vary somewhat in different localities, but interest at the rate of two per cent. per annum on daily balances of $500 or over is quite common. For the sake of convenience it is usual to compute and credit the interest about the 28th of each month. The interest statement is then ready to hand to the customer with his returned vouchers when his book is balanced on the first of the next month. Figure 136 shows a form of such an interest statement. It will be noticed that the balances are written in thousands and hundreds of dollars only, the figures in the units and tens columns being omitted. This method is followed in many institutions as a means of lessening the work, as it cannot in any case cause more than a slight difference in the amount of interest allowed. Sometimes the interest rule specifies that interest will be allowed on even hundreds of dollars only.

Figures 137 and 138 show two forms of ledgers devised with a view to assist the bookkeeper in the computation of interest on accounts. In Figure 137, in the column headed "Days," is entered the number of days that each balance stands undisturbed. In the next column, headed "Aggregate," is placed the product of the balance and the number of days. The principle involved in the figuring of the interest is the same as that used in Figure 136; namely, that the interest on any given amount for X days is the same as the interest on X times that amount for one day.

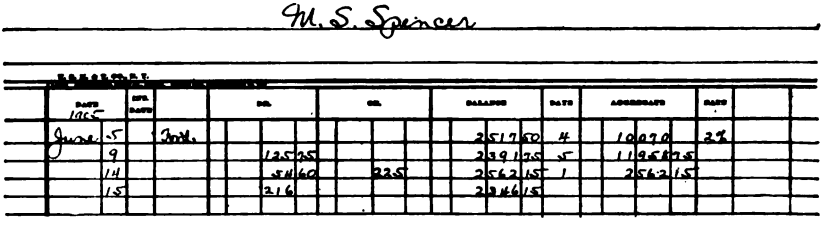


FIG. 137.—INDIVIDUAL LEDGER, FOR ACCOUNTS ON WHICH INTEREST IS ALLOWED.

Digitized by Google

Thus, on the first line of Figure 137, the interest on $2,517.50 for four days is the same as the interest on four times $2,517.50, or $10,070, for one day. Hence, if at the end of the interest period (usually the 28th of each month) the items in the column headed "Aggregate" be added, the interest for one day on the sum so obtained represents the correct interest on the daily balances of the account for the month. Figure 138 represents the top portion of a ledger sheet which facilitates the computation of interest, groups four accounts on each page, and shows on one

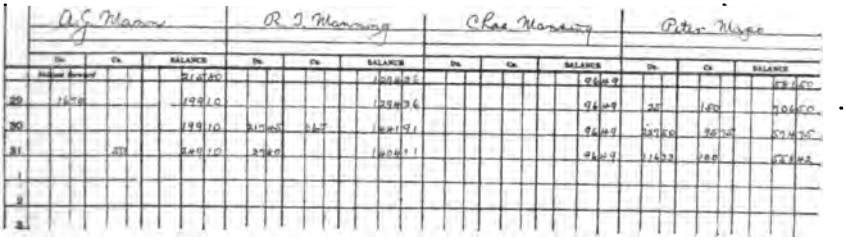


FIG. 138—INDIVIDUAL LEDGER FOR ACCOUNTS ON WHICH INTEREST IS ALLOWED.

page the balances of each account for one month. Down the first column at the left of the page are printed the numbers of the days of the month; the numbers beginning, however, with the 29th of the month, and extending through the 28th of the following month. This arrangement of the numbers is due to the fact already noted, that it is customary to compute interest at the close of the 28th of each month; and the page represents the work, not of a calendar month, but of an "interest month." At the bottom of each of the four sub-divisions of the page is printed "Interest at —— per cent., $————." At the close of the month the balance

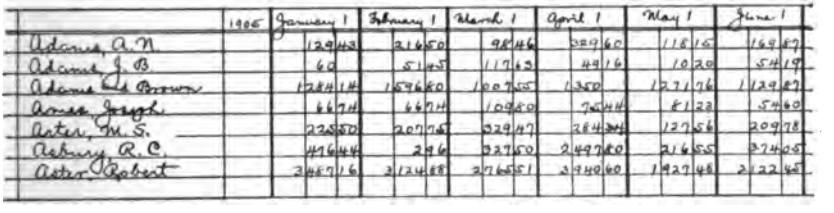


FIG. 139.—TRIAL BALANCE BOOK.

columns are footed, and the interest for one day on the totals represents the interest for the month on the accounts. By the use of "short" leaves, cut at the top on the line just above the headings of the columns, the work may be continued for several months without transferring the names and balances.

Whatever form of ledger is used for individual accounts a trial balance should be taken once a month, except where the Boston Ledger is used, in which case the ledger itself furnishes a daily trial balance. For

Digitized by Google

the purpose of taking such trial balances, many companies use a trial-balance book, a form of which is shown in Figure 139. The open book may show the trial balances for one year, twelve columns being provided for the twelve months. By having some of the leaves cut short, along the heavy line just before the January column, the work for several years

Statement of Account Month ending Apl. 30 1905

William R. Murphy 54 Vouchers returned.

Verified by C.R.O.

In account with the _____ Bank.

CHECKS			CHECKS			DEPOSITS	
No.	Day	Amount	No.	Day	Amount	Day	Amount
1	1	25	31	18	250	Apl. 1	
2		5 15	32		3	Balance	674 18
3	2	194 37	33		8	2	150
4		10	34		10	5	328 40
5		5	35	19	116 75	11	465
6		5	36		1 38	12	110
7	4	37 50	37	22	50	12	500
8	5	296 84	38		75 83	17	325 67
9		75	39		24 90	22	950
10		46 70	40	23	349 37	25	450
11	6	3	41	25	10	29	278 45
12		17 50	42		5	30	300
13		26 98	43		5		
14	7	312 39	44		5		
15		75 54	45		84 75		
16	9	95 90	46	26	66 66		
17	11	117 50	47	27	15 25		
18		240 44	48		78 02		
19	12	125	49		255 48		
20		678 56	50	29	12 15		
21		5	51		51 90		
22	13	5	52	30	3		
23		5	53		27 58		
24		27 50	54		9		
25		45 17	55		1182 45		
26	14	10	56				
27	15	116 66	57				
28	16	33 33	58				
29		15 60	59			Credits	4531 70
30		7 80	60			Debits	1182 45
						Balance	3349 25

Please examine balances and vouchers and report at once if any error is found.

FIG. 140.—STATEMENT OF ACCOUNT.

Digitized by Google

may be shown without rewriting the names; but in such case a considerable space should be left after the lists under each letter of the alphabet, for the insertion of the names of new accounts. Overdrafts are entered in red ink in this form of balance book: but some forms provide two columns, one for credit balances and one for debit balances. In many institutions, the introduction of the adding machine has done away with the trial-balance book, the trial balances being taken off on the adding-machine, which is of course a much quicker and easier way. These adding-machine lists are preserved by pasting them in scrap-books, or by filing them in envelopes.

An important part of the duties of the individual bookkeeper or of his assistant lies in the careful preservation of deposit tickets and of

Form 20

STATEMENT OF ACCOUNT

Joplin, Mo., April 1 1905

Dr. John Doe In account with The Conqueror Trust Company, Cr.

1905						1905					
Mch	1			25		Mch.	1	Balance		329	25
	3			185			5			200	
	4			210	27		7			154	80
	7			54	25		12			75	57
	10			156	64		16			324	13
	15			95	57		21			136	89
	20			119	50		28			225	
	23			300			31			100	
	27			118	13						
	28			75							
	30			114	25					1	
	31	Balance		92	13						
				1545	74					1545	74
								Bal. to Your Cr.		92	13

FIG. 141.—STATEMENT OF ACCOUNT.

checks. The latter are cancelled at the close of the day's business, and filed away alphabetically by the names of the drawers until the pass-books are written up and the checks returned to the customers. The deposit tickets, which are kept permanently by the company, are filed either by dates, all tickets for the day's work being filed together in alphabetical order, or alphabetically by the names of the depositors; some companies preferring the one method, and some the other.

The pass-books for all active accounts should be balanced, and the checks returned to the depositors as vouchers, once a month. The methods of balancing or "writing up" the pass-books have been shown in Figures 110 and 111. In practice it is found to be a difficult matter to get all customers to bring in their pass-books for balancing each

Digitized by Google

month; and there is always a considerable number of depositors who frequently fail to bring their pass-books when making deposits. These facts, together with other considerations, have led many companies to adopt the practice of sending monthly statements of accounts to all depositors, the pass-books being used merely as the depositor's record of deposits made. Figures 140, 141 and 142 show different forms of statements of account, those in Figures 141 and 142 being practically copies of the ledger accounts in the old-style debit and credit ledger and the balance ledger respectively. Some companies have the statements kept up regularly as duplicate ledgers. The advantages of such a practice

STATEMENT OF ACCOUNT

Richard Roe

No.

DATE	MEMO.	WITHDRAWN	DEPOSITED	BALANCE
3 1 05	Balance			227 54
3 4 05		57 38		170 16
3 5 05			100	270 16
3 7 05		124 50	55 40	201 06
3 8 05		10		
		5		
		56 25		129 81
3 9 05		12 80	200	317 01
3 12 05		154 05		
		25		
		13 80		124 16
3 13 05		25		99 16

FIG. 142.—STATEMENT OF ACCOUNT.

are twofold: it furnishes a check upon the correctness of the work on the regular ledgers, and it keeps the statements always up to date, so that the customer may be furnished with a statement of his account on demand. The plan also distributes the work of preparing statements throughout the month, instead of requiring it all to be done at the close of the month, as is the case where the pass-books are called in for balancing. If the duplicate ledgers are kept by a separate set of bookkeepers, a check is obtained against possible dishonest practices on the part of any one bookkeeper. Figure 143 shows another form of statement of account, which is printed on the face of an envelope, in which the vouchers are enclosed when the statement is handed to the depositor.

Digitized by Google

Stephen Smith

23 VOUCHERS RETURNED.

THE STATE BANKING & TRUST CO.

If no report is made within 10 days, account will be considered correct.

No.	CHECKS		CHECKS		DATE 1905		DEPOSITS	
1	50				May 1			
2	27	80			Balance		227	64
3	214	16			May 3		150	
4	10					6	100	
5	5					10	327	50
6	110	50				18	209	65
7	37	60				25	398	
8	5	25				31	174	73
9	69	75						
10	15						1587	52
11	24	36			Cks.		1242	07
12	129							
13	17	85			Bal June 1		345	45
14	80							
15	222	17						
16	6	34						
17	19	15						
18	3							
19	49	48						
20	100							
21	18	50						
22	27	16						
23	1242	07						
24								
25								
26								
27								
28								
29								
30								
31								
32								
33								
34								
35								
36								

FIG. 148.—STATEMENT OF ACCOUNT.

It is not the usual practice to take the depositor's receipt for the vouchers returned to him; but this is done by some companies, and there are those who maintain that a receipt in such a case is quite as important as a receipt for any valuable papers. One form of such a receipt reads as follows: "Received from the Blank Trust Company of Chicago, Illinois, my pass-book, balanced, with —— paid checks. Unless advised to

Digitized by Google

the contrary within five days, the balance may be considered correct, and the paid checks in all respects genuine."

A troublesome thing for the individual bookkeeper to handle is the stopping of payment on customers' checks. Sometimes a rack is provided, in which are placed cards like that shown in Figure 144, containing descriptions of the checks of which payment is ordered stopped. Another

PAYMENT STOPPED. DATE 5/6/06

MAKER John Doe

DATE 5/5/06 No. 329 AMOUNT, $125.46

ORDER OF William Smith

REASON Lost

PRESENTED AND MARKED _____ ORDERED PAID _____

WROTE MAKER _____

1-2-02

FIG. 144.—STOP-PAYMENT MEMORANDUM.

plan is to paste on the ledger a slip like that shown in Figure 145. A third plan, and probably the safest one, is to make duplicates, from the descriptions furnished, of all checks of which payment has been ordered stopped. When the incoming checks are arranged in order for entry in the books each day, these duplicates are inserted in their proper order with the other checks, so that the memorandum is found where the book-

STOP PAYMENT on CHECK No 329

Dated May 5 1906 *For* $125.46

Drawn by John Doe

Favor of William Smith

Remarks Lost

FIG. 145.—STOP-PAYMENT MEMORANDUM.

Digitized by Google

keeper cannot easily overlook it. These duplicates are kept and used daily for a week or two, after which time the date of the check will of itself put the bookkeeper on his guard against paying it without investigation.

The General Books.

If a general system of proofs, such as that described in connection with figures 124 to 127, is in use, the first form needed by the gen-

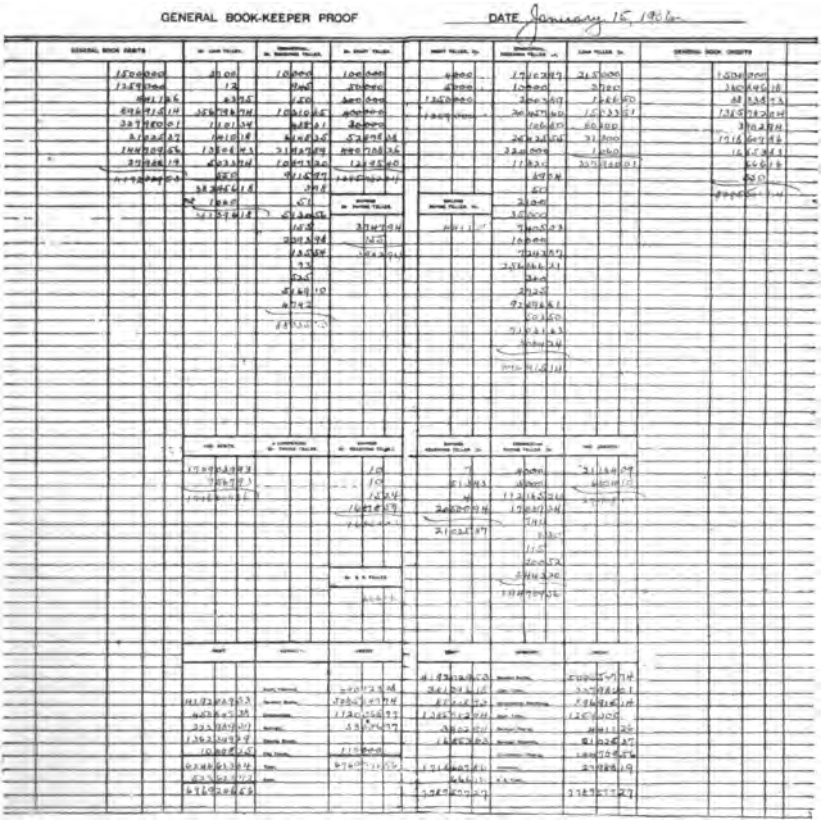


Fig. 146.—General Bookkeeper's Proof.

eral bookkeeper for the record of the day's work is his proof, a form of which is shown in Figure 146. On this proof he lists the items received from or sent to the other workers, in the same manner as has already been described for the tellers' proofs, figures 124 to 127. When all of the items (except the bookkeepers' totals) have been entered, the totals are listed in the places indicated under the heading "Summary" at the right of the bottom of the proof: and if the work has been done correctly, the total of the debit items will agree with the

Digitized by Google

total of the credit items. The bookkeeper then has a proof of the correctness of his work for all items except the totals to be furnished him by the individual bookkeepers, draft tellers, etc. When such totals are received they are entered in their designated places under the heading "Summary" at the left of the bottom of the proof, where are also entered the totals of the general book items listed on the proof. Meantime the general journal is written up, and the correctness of the work there is indicated if the total debits and total credits agree with such totals as shown by the final "Summary" on the proof. The difference between these totals shows the amount of "general cash" at the close of the day's business; and with this figure the amount of "general cash" shown by the paying teller's summary of general cash, figure 126, must agree.

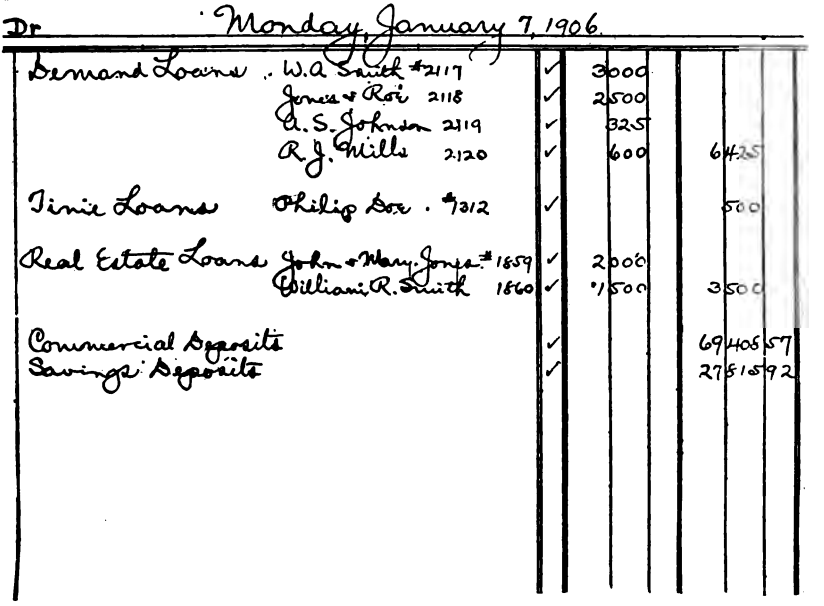


FIG. 147.—GENERAL JOURNAL, LEFT PAGE.

For a general journal many companies still use the old-style two-column journal with debit and credit pages. Figure 147 shows the left-hand or debit page of such a journal. The right-hand page is ruled in the same way, having the heading "Cr." instead of "Dr." Much more convenient than the old form is the improved general journal shown in Figure 148, in which debits and credits are entered on one page, and the names of the accounts, being in the center, need not be repeated for debit and credit entries. The width of the page is about 13½ inches. Figure 149 shows another form of one-page general journal, having a different arrangement of the amount and explanatory columns.

For a general ledger, the old style ruling, without balance columns, is still in use by some companies; but ledgers having balance columns

Digitized by Google

are decidedly preferable, and are in general use. Figures 150 and 151 show two forms of such a ledger—that shown in figure 151 being the better of the two, because it more distinctly separates debit and credit items. These ledgers may be either permanently bound or in loose leaf form.

Monday, January 15, 1906

Total Debits		DEBITS		DESCRIPTION	ACCOUNT	DESCRIPTION		CREDITS		Total Credits
	✓	5000		Mary R. Brown #2317	Loans, Discounts	Wm. R. Smith #2143		1200	✓	
	✓	2500		Peter S. Purvis 2318		James Orr 1644		500	✓	
	✓	700		John Jacobs 2320		Ralph Roe 2009		15000	✓	16700
	✓	10000		George Putnam 2319						
18700	✓	4200		Julius Stephen #2321						
					Re Time	Ralph T. Johnson #208			✓	1000
	✓	2000		Jarvis Putnam #604	Re Real Estate	John J. Trimble #1641		40000	✓	
	✓	3650		John C. Calhoun 1605		Mary Burton 1320		600	✓	
9650	✓	4000		Chas. W. Burton 1606		William Mann 1417		1200	✓	6650
116049 93	✓				Deposits Demand				✓	128403 76
26721 97	✓				Re Savings				✓	44805 87

FIG. 148.—GENERAL JOURNAL.

GENERAL JOURNAL.

Date January 15 1906

Explanatory Matter.		Dr. Amounts.	Ch.	TITLES	Ch.	Cr. Amounts	Explanatory Matter.	
Mary R Brown	#2317	5000	✓	Loans, Discounts	✓	1200	W R Smith	#2143
Peter S. Purvis	2318	2500	✓		✓	500	James Orr	1644
John Jacobs	2320	700	✓		✓	15000	Ralph Roe	2009
George Putnam	2319	10000	✓					
	Rem	26000	✓	Seaboard Nat. Bk.	✓	7E10611	Drafts	
		2521197	✓	Deposits - Dem.	✓	21644 NS		

FIG. 149.—GENERAL JOURNAL.

Individual Deposits

Date 1905		Explanation	Debits	Credits	Dr. Balances	Cr. Balances
April	6	Balance forward				329 684 03
	9		37 618 50	35 430 66		327 496 19
	10		20 116 34	26 740 50		336 120 35
	12		22 407 55	31 670 40		345 383 20
	13		19 672 56	18 412 99		344 123 63

FIG. 150.—GENERAL LEDGER.

Digitized by Google

The general bookkeeper enters the balances from the general ledger in the daily statement (or balance) book, which serves the double purpose of a daily trial-balance of the general accounts and a condensed statement, which enables the officers to see the condition of the company at a glance.

GENERAL LEDGER _____ SHEET NO. 15 FROM 4/4/05 TO _____

Individual Deposits

Description	Debits	Dr. Balance	Date 1905	Cr. Balance	Credits	Description
Balance forward,			Apl 8	329 684 03		
	37 618 50		9	327 496 19	35 430 66	
	20 116 34		10	336 120 35	28 740 50	
	22 407 55		12	345 383 20	31 670 40	
	19 672 56		13	344 123 63	18 412 99	

FIG. 151.—GENERAL LEDGER.

In its simplest form this book is merely a list of the balances of the general ledger accounts, so arranged that separate footings may be taken of the debit and credit balances, to show their agreement. Figure 152 shows an old form of daily statement, in which the accounts are listed in the order in which they are found in the bound general ledger. As

Ledger Folio		Monday, May 7, 1906 Dr.	Monday, May 7, 1906 Cr.	Tuesday, May 8, 1906 Dr.	Tuesday, May 8, 1906 Cr.	Wednesday, May 9, 1906 Dr.	Wednesday, May 9, 1906 Cr.
5	The First Trust Co.	31 219 76		35 836 84		34 763 57	
14	Fourteenth Nat. Bank, N.Y.	20 180 50		21 765 75		20 567 28	
23	Commercial Deposits		100 684 95		103 763 48		99 557 24
42	Savings Deposits		326 641 84		335 165 20		335 954 02
73	Real Estate Loans	183 160		183 160		184 660	
99	Collateral Loans	138 333 78		141 333 78		149 742 87	
117	Cash	25 639 84		27 989 55		26 835 32	
134	Earnings		9 446 96		9 513 80		9 569 34
150	Expense	3 977 07		4 093 76		4 168 67	
175	Real Estate	50 000		50 000		50 000	
179	Furniture and Fixtures	10 000		10 000		10 000	
184	Interest on Savings Accts.	4 551 23		4 551 23		4 631 32	
196	Interest on Com. Accts.	1 759 81		1 759 81		1 759 81	
210	Bonds and Stocks	195 000		195 000		195 000	
230	Capital Stock		100 000		100 000		100 000
233	Surplus		50 000		50 000		50 000
235	Undivided Profits		10 103 74		10 103 74		10 103 74
240	Trust Deposits		56 944 50		56 944 50		56 944 50
250	Certificates of Deposit		10 000		10 000		10 000
		663 821 99	663 821 99	675 490 72	675 490 72	672 128 84	672 128 84

FIG. 152.—DAILY STATEMENT, OLD STYLE.

Digitized by Google

Daily Balances.

	RESOURCES	Feb. 3, 1905	Feb. 4, 1905	Feb. 5, 1905	Feb. 6, 1905
LOANS	Demand Loans	119 921 13	121 327 55	121 327 55	125 440 50
	Time Loans	107 528	107 528	107 528	107 528
	Real Estate Loans	183 160	183 160	180 160	175 300
	TOTAL LOANS	410 609 13	412 015 55	409 015 55	408 268 50
INVEST'TS	Bonds	94 500	94 500	94 500	94 500
	Stocks	11 384 65	11 384 65	11 384 65	11 384 65
	Sundry Investments				
	TOTAL INVEST'TS	105 884 65	105 884 65	105 884 65	105 884 65
	Reserve (cash)	25 639 84	28 407 60	24 319 66	30 116 84
	Reserve (city banks)	31 219 76	29 280 56	32 678 50	31 670 46
	Reserve (outside banks)	20 180 50	22 679 20	21 888 34	25 389 60
	TOTAL RESERVE	77 040 10	80 467 46	78 886 50	87 176 90
EXPENSE	Expense	1 285 16	1 368 23	1 561 40	1 593 86
	Int. Con'l Deposits	574 31	574 31	574 31	574 31
	Int. Savings Deposits	2 117 60	2 117 60	2 117 60	2 117 60
	TOTAL EXPENSE	3 977 07	4 060 14	4 253 31	4 285 77
	Real Estate	50 000	50 000	50 000	50 000
	Furniture and Fixtures	10 000	10 000	10 000	10 000
		657 510 35	662 427 80	658 040 01	665 615 82
	LIABILITIES				
	Capital Stock	100 000	100 000	100 000	100 000
	Surplus	50 000	50 000	50 000	50 000
	Undivided Profits	10 103 74	10 103 74	10 103 74	10 103 74
EARNINGS	Bank Earnings	3 296 46	3 340 29	3 387 50	3 490 13
	Investment Earnings	1 079	1 079	1 079	1 079
	Safe Deposit Earnings	325	325	356	369
	Trust Earnings	746 50	746 50	928 38	928 38
	Sundry Earnings				
	TOTAL EARNINGS	5 446 96	5 490 79	5 750 88	5 866 51
DEPOSITS	Certificates of Deposit	10 000	10 000	10 000	10 000
	Commercial Deposits	100 318 41	106 307 67	100 205 95	106 085 53
	Savings Deposits	381 641 84	380 525 60	381 879 44	383 560 04
	TOTAL DEPOSITS	491 960 25	496 833 27	492 085 39	499 645 57
		657 510 35	662 427 80	658 040 01	665 615 82

FIG. 153.—CLASSIFIED DAILY STATEMENT.

will be seen, two columns are required for each day's statement; and the book is usually arranged to show a week's work on each double page. By having some of the pages "cut short" along the line just after the names of the accounts, the frequent rewriting of the names may be

Digitized by Google

The Blank Trust Company.

New Commercial Accounts Opened	3	New Savings Accounts Opened	5
Commercial Accounts Closed	1	Savings Accounts Closed	2
Total No. of Open Com'l Acc'ts	938	Total No. of Open Savings Acc'ts	2254

May 5 1905

ASSETS.		LIABILITIES.	
Real Estate Loans	183160	Capital Stock	100000
Collateral Loans	127449 13	Savings Deposits	326641 64
Bills Discounted	10581 65	Special Deposits	55000
Cash	25639 84	Commercial Deposits	95372 95
Bankers National Bank	31219 76	Certfs. of Deposit, Special	—
Seaboard National Bank	20180 50	Certfs. of Deposit, 4%	10000
Bank Building	30000	Certfs. of Deposit, 3%	5312
Furniture and Fixtures	10000	Deposit Loan Payments	1944 50
Real Estate	20000	Current Earnings	9444 96
Stocks and Bonds	195000	Undivided Profits	6010 37
Insurance, Taxes, Etc.	—		
Interest Due and Unpaid	—		
Current Expenses	3777 07		
Int. Paid on Certif. of Deposit	164 69		
Int. Paid on Commercial Accounts	1759 81		
Int. Paid on Savings Accounts	4366 54		
	663821 99		663821 99

FIG. 154.—DAILY STATEMENT.

avoided. In the larger companies, however, the names are usually printed in the book, and the short leaves are then unnecessary. Figure 153 shows an improved form of daily statement, in which the different accounts are grouped according to classes, and the totals of the classes are shown in red ink. The resources and liabilities are grouped separately, and only one column is used for each day's work. The balances for two weeks may be shown on each double page. Other forms of statement books provide an extra column for the group totals shown in Figure 153.

Some companies have each day's statement written on a separate sheet of paper, the sheets being filed in a loose-leaf holder. Figure 154 shows a form of such a statement, which includes also a memorandum of accounts opened and closed.

Digitized by Google

The arrangement of the details of the statement of course varies with different companies, according to the accounts carried and the character of the business. For example, some prefer to show in the general statement the balances in each of the depository banks, while others show, as in Figure 153, simply the totals, and give the details in a separate statement devoted to the reserve.

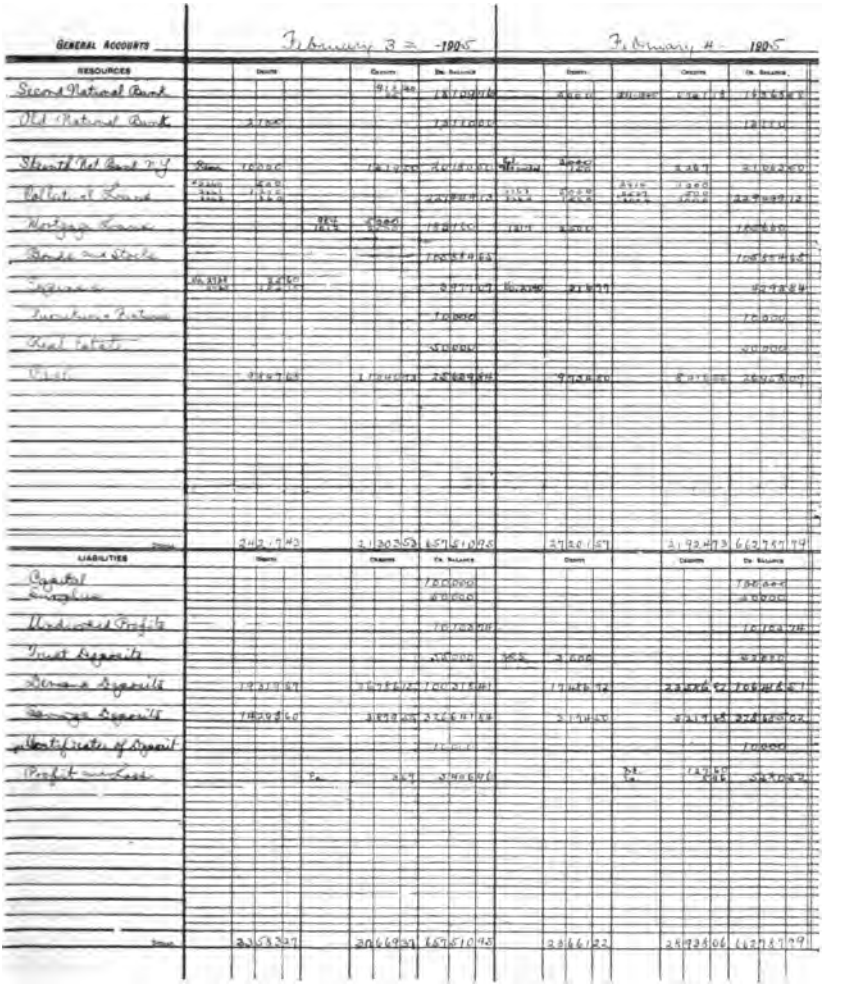


FIG. 155.—BOSTON LEDGER FOR GENERAL ACCOUNTS.

These three books—the journal, the ledger and the statement book—are the ones included in what is sometimes called the "three-book system" of keeping general accounts. Instead of this, some companies use the "one-book system"—the one book being a modification of the Boston Ledger. A form of such a ledger is shown in Figure 155. As a study of the figure will show, the accounts are kept in this book in practically

Digitized by Google

the same way that individual accounts are kept in the regular Boston Ledger. The book serves for both journal and ledger, the entries being made directly from the original debit and credit tickets. Except for the convenience of the officers, a separate daily balance book is not needed, as the balances in this ledger provide a daily statement. In this form, the resources are grouped at the top, and the liabilities at the bottom of the page, so that only one balance column is needed. Some prefer, however, to have two balance columns side by side for debit and credit balances respectively. This may be done by simply adding another balance column in the form shown in Figure 155—the balance of the ruling being the same. Figure 156 shows the ruling of another form having wider description columns; and Figure 157 shows a form with wide description columns and two balance columns. In both of these figures the ruling for one day's work only is shown; that for the other days being the same.

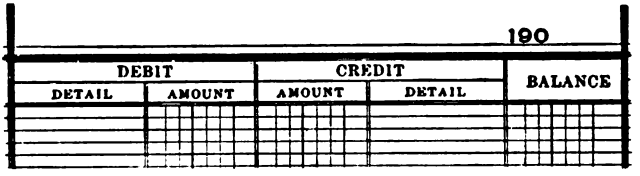


FIG. 156.

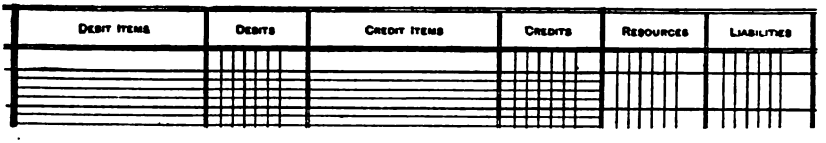


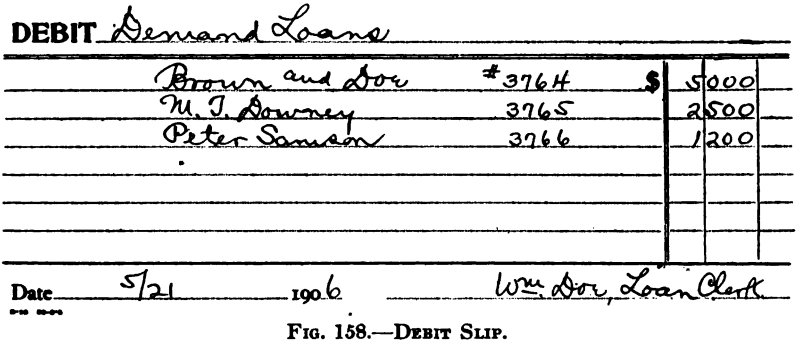
FIG. 157.

An evident objection to this method of keeping the general accounts is that the book does not provide much space for the description of items; which, for some accounts, is quite necessary. To overcome this obstacle, some bookkeepers use an auxiliary book, in which are carried in detail those accounts whose items are apt to need much description, only the totals for such accounts being entered in the regular ledger each day. It is of course possible to do away entirely with the description columns and use the book strictly as a ledger, with a regular journal for details.

Entries on the general books are usually made from debit and credit slips which are furnished to the general bookkeeper by the various tellers, bookkeepers and officers. Figures 158 and 159 show forms of debit and credit slips respectively. Figure 160 shows a combined debit and credit slip, which is convenient when both debit and credit go to the same bookkeeper. As a matter of convenience in filing, it is well to have all slips of this character of the same size and shape; although some prefer to have the debit slips of the size and shape of the company's check, and the credit slips of the size and shape of the deposit ticket. After using,

Digitized by Google

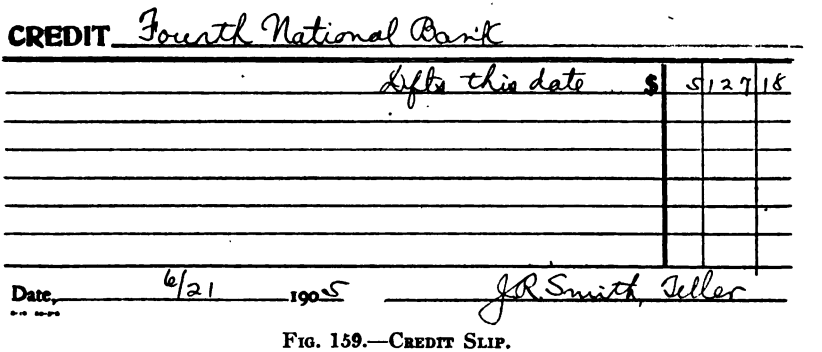
the slips should be carefully filed for future reference, as they are the general bookkeeper's vouchers for entries in his books. In all cases the slips should be signed or initialed by the person responsible for the transactions represented. Theoretically they should be signed or "O. K.'d" by an officer; but this is practically impossible in a large institution. Charges to the expense account, however, should invariably be approved by an officer. Many companies have a special form of debit slip or voucher for petty expense items, and Figure 161 shows a form of such a voucher. Petty expense items are often carried by the paying teller in his cash until the close of the week or month, when their total is entered


DEBIT Demand Loans

Brown and Son	#3764	$	50	00
M. J. Downey	3765		25	00
Peter Samson	3766		12	00

Date 5/21 1906 Wm Doe, Loan Clerk

FIG. 158.—DEBIT SLIP.


CREDIT Fourth National Bank

Gifts this date		$	51	27 18

Date 6/21 1905 J. R. Smith, Teller

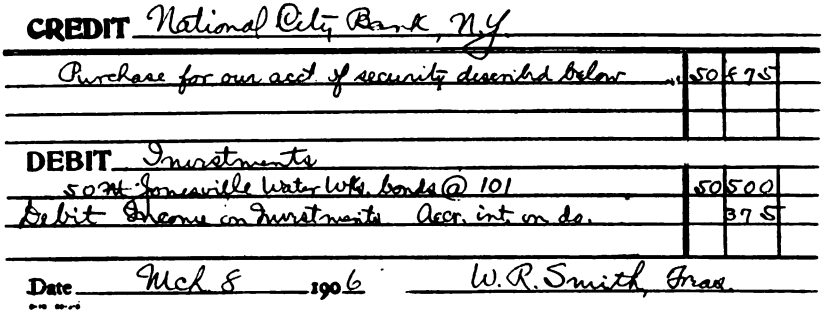
FIG. 159.—CREDIT SLIP.

on the general books. Instead of debit and credit slips, some companies use a bound book known as the charge and credit book; but while this provides a permanent record of such items, it is rather too cumbersome for a company doing a large business; and it is doubtful whether it adds anything in the way of safety.

In addition to the regular books of account, the general bookkeeper prepares or gathers from the heads of the different departments, daily reports, which, with the general statement, are placed each morning upon the desk of the executive officer. In a large company, these include reports from all the various departments—banking, savings, trust, safe-deposit, bond, real estate, etc. The amount of detail given in these reports

Digitized by Google

varies in different companies; some of the items covered being lists of accounts opened and accounts closed, with the sources of the former and the reasons for the latter; loans made and paid; overdrafts; details of the reserve; over and short cash; large deposits or withdrawals; new trusts received; trusts closed; important transactions in the trust department; investments made and investments sold; purchases and sales in the bond department; safes rented and safes surrendered, etc. These reports often contain a comparison with the figures for the same items on the corresponding date of the previous year. Figure 162 shows a portion of a daily report for the banking department, showing a list of new accounts.



CREDIT National City Bank, N.Y.

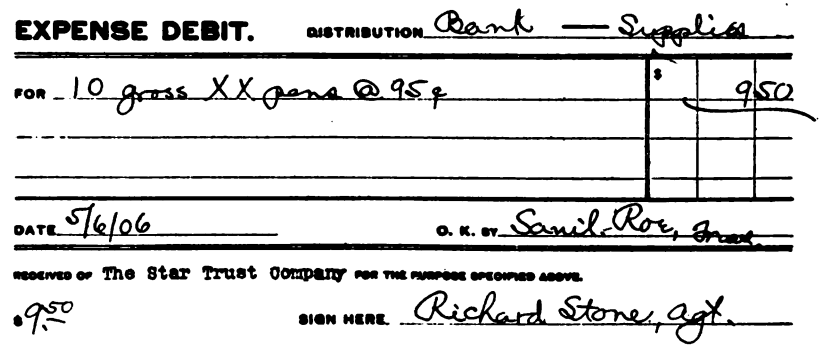
Purchase for our acct. of security described below	50	875

DEBIT Investments

50 M Jonesville Water Wks. bonds @ 101	50	500
Debit Income on Investments Accr. int. on do.		375

Date Mch 8 1906 W. R. Smith, Treas.

FIG. 160.—DEBIT AND CREDIT SLIP.



EXPENSE DEBIT. DISTRIBUTION Bank — Supplies

FOR 10 gross XX pens @ 95¢	$	9.50

DATE 5/6/06 O. K. BY Sanil Roe, Treas.

RECEIVED OF The Star Trust Company FOR THE PURPOSE SPECIFIED ABOVE.

$9.50 SIGN HERE Richard Stone, agt.

FIG. 161.—PETTY EXPENSE VOUCHER.

Monthly, semi-annual and annual reports are also compiled, these usually including comparative statements to show the growth of the company month by month or year by year. The general purpose of such reports is to enable the executive officers—who naturally have little time for details—to quickly inform themselves of the condition and the trend of the business.

THE LOAN DEPARTMENT.

There is considerable difference among trust companies, as among banks, in the manner of handling the details connected with the mak-

Digitized by Google

ing of loans. The methods vary with the size of the company, the character of the business and the preferences of the officers. In some companies all the details, including the keeping of the records, are attended to by the loan clerk and his assistants; while in others much of the detail, as to records especially, is handed over to other workers. Often the loan clerk keeps no journal, all the loan items being detailed in the general journal from debit and credit slips which the loan clerk hands to the general bookkeeper. In some companies the loan clerk keeps a cash drawer and issues official checks, paying out the proceeds of loans directly; while in others cash payments are made by the paying teller, and checks are issued by the draft teller or other employee. The records here described are such as are used in cases where all the details connected with loans are attended to in the loan department.

DAILY REPORT—BANKING DEPARTMENT—(CONTINUED)

May 5, 1906

	Day	Month	Last Year Day	Last Year Month				
Accounts Opened,	12	51	9	42	Banks Issued,	3	Commercial Accounts,	2348
Accounts Closed,	3	17	4	21	Banks Surrendered	0	Savings Accounts,	7564
					Total in Use	1287	Total,	9912

Name	Address	Commercial	Savings	Certificates	Source
James R. Reason	#37 8th Av.	350			W.R.S.
Robert J. Stokes	1968 Mass. Av.		1000		Ad.
Susan M. Smith	Holyoke, Mass		500		J.D.R.
Arthur Brown	213 Stag Bldg	279 68			Customer
Black & White	35 5th St.			1500	M.P.D.
	Total Amount.				
	Average.				

(OVER)

FIG. 162.—PORTION OF DAILY REPORT.

The loan teller's proof, being arranged according to the same principle as that of the proofs already described,[74] need not be reproduced here.

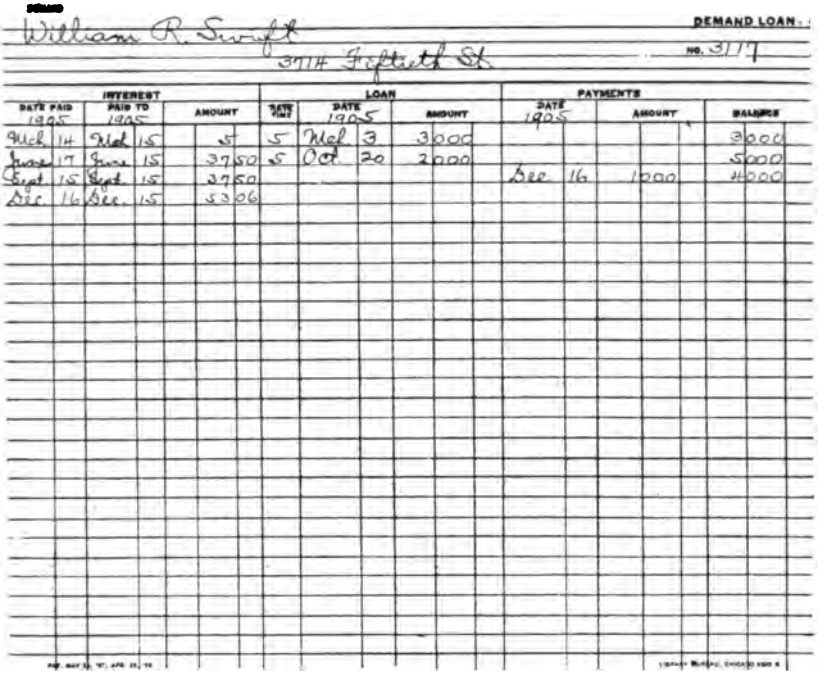
A number of styles of loan journal are in use, probably the most common style being one having several columns for the different classes of loans handled, and one or more columns for interest items. Figure 163 shows a form of such a journal. In this form the interest on the different classes of loans is shown separately. Other forms have only one column for interest. The columns headed "Accrued Interest" are for the entry of interest items accruing at the regular interest periods; it being the practice of some companies to charge the total interest accruing at such periods to an account in the general ledger entitled "Accrued Interest," and to credit it at once to earnings. Payments of such

74 See Figures 124-127, 146.

Digitized by Google

FIG. 163.—LOAN JOURNAL.

Digitized by Google



DEMAND

William R. Swift

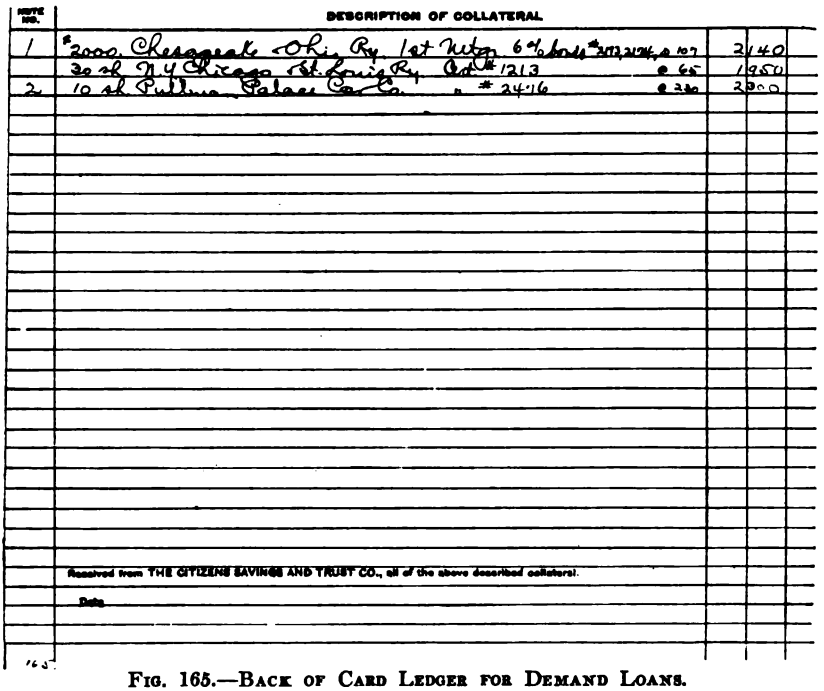
3714 Fiftieth St.

DEMAND LOAN

NO. 3117

INTEREST			LOAN			PAYMENTS			
DATE PAID 1905	PAID TO 1905	AMOUNT	DATE 1905	DATE 1905	AMOUNT	DATE 1905	AMOUNT		BALANCE
Mch 14	Mch 15	5	5	Mch 3	3000				3000
June 17	June 15	37 50	5	Oct 20	2000				5000
Sept 15	Sept 15	3750				Dec 16	1000		4000
Dec 16	Dec 15	5306							

FIG. 164.—FACE OF CARD LEDGER FOR DEMAND LOANS.



NOTE NO.	DESCRIPTION OF COLLATERAL		
1	$2000. Chesapeake Ohio Ry. 1st Mtge 6% bonds #3123174, @ 107		2140
	30 sh N.Y. Chicago & St. Louis Ry. Com. #1213 @ 65		1950
2	10 sh Pullman Palace Car Co. " #2416 @ 230		2300

Received from THE CITIZENS SAVINGS AND TRUST CO., all of the above described collateral.

Date

FIG. 165.—BACK OF CARD LEDGER FOR DEMAND LOANS.

Digitized by Google

interest are then credited to accrued interest as received; and the balance against this account at any time shows the amount of past-due interest. This plan insures that interest shall be placed to the credit of earnings during the period in which it is earned, and it also serves as a safeguard against overlooking any past-due items of interest. The totals of the different columns in this journal are handed to the general bookkeeper on debit and credit slips at the close of each day's business.

Substitution of Collateral.

Pittsburg, Pa., July 7 1906

The undersigned acknowledges that he has this day received from The Blank Trust Company the following securities held as collateral to loans:-

$4000.00 Ches and Ohio 6% bonds, series A.

$5000.00 Chicago & E. Ill. 1st gen. 4% bonds.

And that he has deposited in lieu therof, subject to the same conditions as the collateral originally pledged,

$9000. Chic. Mil. & St. Paul g 5% bonds.

John Johnson

FIG. 166.—FORM FOR SUBSTITUTION OF COLLATERAL.

TIME LOAN No. 3215

TO Charles M. Ward ADDRESS 2743 Seventh St.

MEMO. RATE 6%

For or Shares	DESCRIPTION	RATE	DATE	TIME	DUE	DATE	DEBIT	CREDIT	BALANCE
~~$5000~~	Norfolk & Western Ry 1st Cn. 5's	85	3/5/06	90 do.	6/3/06	3 5 06	4250		4250
3000	Nos. 1346, 1347, 1348, ~~1463, 1529~~	80	6/3/06	60 do.	8/2/06	6 3 06	2400	4250	2400

FIG. 167.—FACE OF CARD LEDGER FOR TIME LOANS.

Digitized by Google

Cards are quite generally used for loan ledgers. Figure 164 shows the face, and Figure 165 the back, of such a card ledger for demand loans. As a study of the figures will show, the loan account and the interest record are kept on the face of the card, the back being devoted

INTEREST RECORD

TO	AMOUNT	PAID		TO	AMOUNT	PAID
6 3 06	63 75	3 5 06				
8 2 06	36	6 3 06				

COLLATERAL SURRENDERED

THE UNDERSIGNED ACKNOWLEDGE'S RECEIPT ON THE DATES MENTIONED, OF THE SECURITIES DESCRIBED BELOW.

6 3 06	2 M Norfolk & W. Ry. 1st 5's. Chas. M. Ward

RECEIVED FROM THE CLEVELAND TRUST COMPANY, ALL SECURITIES AND OTHER PAPERS DUE IN CONNECTION WITH THE WITHIN DESCRIBED LOAN.

SIGN BELOW

CLEVELAND, O

FIG. 168.—BACK OF CARD LEDGER FOR TIME LOANS.

Digitized by Google

to a description of the collateral, and to the receipt which is taken when collateral is delivered. The receipt on the card is more convenient than a separate receipt, as it insures that everything in the way of record of closed-out loans shall be filed together. With some loans, however, and particularly with those of brokers, the changes of collateral are so many that there is not room on the loan card for the various receipts. For such cases it is convenient to have a separate form for the substitution of collateral, such as is shown in Figure 166. The separate receipt is useful also in the numerous cases where the owner of the collateral does not come for it in person, but sends a messenger.

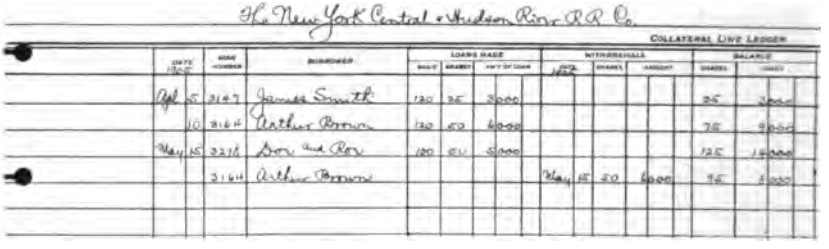


FIG. 169.—COLLATERAL LINE LEDGER.

Figure 167 shows the face, and Figure 168 the back, of a card ledger for time loans. In this form the loan account and the description of collateral are given on the face of the card, the interest record and the receipt being on the back. These ledger forms may easily be adapted to permanently-bound or loose-leaf books if desired.

It is important to know at all times the amount of loans carried on each kind of collateral, to avoid loaning too heavily on any securities,

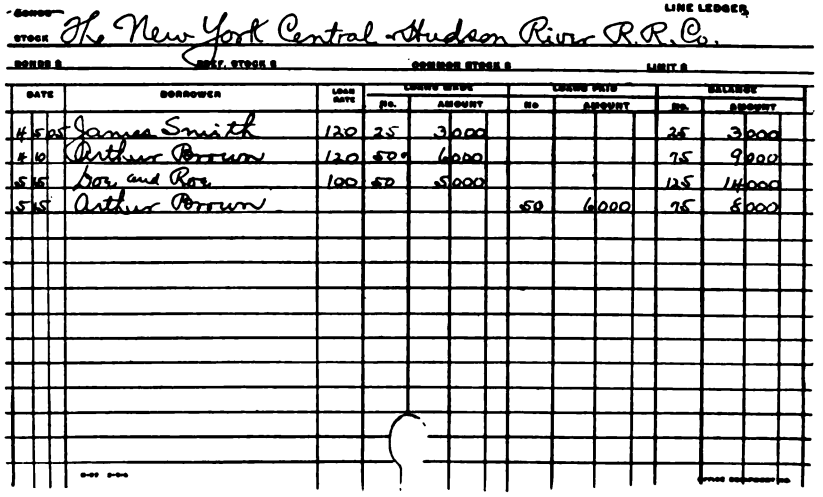
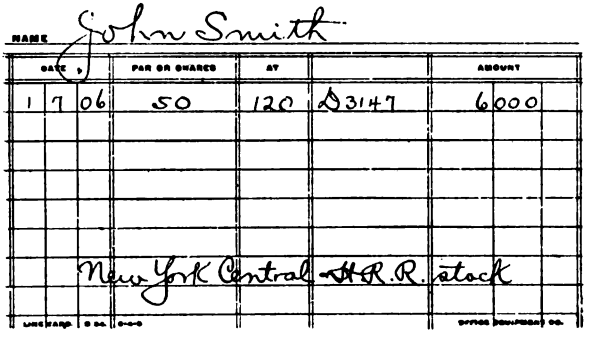


FIG. 170.—COLLATERAL LINE LEDGER.

Digitized by Google

and for reference in case loans must be called because of decline of collateral. For this purpose a collateral line ledger is used, of which a loose-leaf form is shown in Figure 169, and a card form in Figure 170. The figures are self-explanatory. Figure 171 shows a card used for a collateral line ledger on a different plan. An index card is provided for each kind of collateral, and behind each index card are filed the cards like that shown in Figure 171, a separate card being used for each loan. When a loan is paid, or other collateral substituted, the old card is removed from the file and destroyed. To get the total of any given collateral held, or the amount of loans on same, it is necessary to add the amounts on the several cards that may be filed after the index card.


NAME John Smith

DATE	PAR OR SHARES	AT		AMOUNT
1 7 06	50	120	D3147	6000
	New York Central & H.R.R.			stock

FIG. 171.—COLLATERAL LINE LEDGER CARD.

Figure 172 shows a form of collateral note used in New York city. A shorter form, used in a large city in the Central States, reads as follows:

$..... CINCINNATI, O.....190....

On demand after date.....promise to pay to the order of THE BLANK TRUST COMPANY at its office.....
.....DOLLARS, for value received, with interest at the rate of.....per cent. per annum, payable quarterly on the 15th days of March, June, September and December of each year, unpaid installments of interest to draw interest at the same rate as the principal, having deposited with said Company as collateral security for payment of this or any other liability or liabilities of.....to said Company, due or to become due, or that may be hereafter contracted, the following property, viz.:
.....
.....
.....

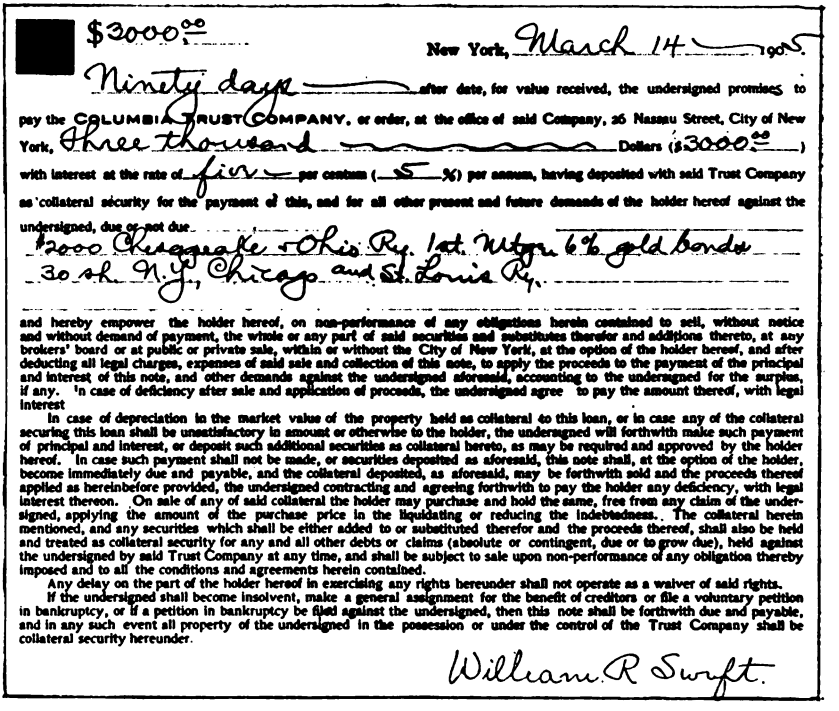
The market value of which is now $.....; with the right to call for additional security should the same decline; and on failure to respond, this obligation shall be deemed to be due and payable on demand, with full power and authority to sell and assign and deliver the whole of said property, or any part thereof, or any substitutes therefor, or any additions thereto, at public or private sale, at the option of said Company, or its assigns, and with the right to be purchasers themselves at public sale, on the non-performance of this promise or the non-payment of any of the liabilities above mentioned, or at any time or times thereafter, without advertisement or notice, and after deducting all legal and other costs and expenses for collection, sale and delivery, to apply the residue of the proceeds of such sale or sales so to be made, to pay any, either or all of said liabilities, as said Company, or its president or treasurer shall deem proper, returning the overplus to the undersigned.

No..... .....

Address.....

Digitized by Google

This form, providing as it does for quarterly payments of interest on a demand note, illustrates the custom in some localities of carrying demand loans for several months or even years, so long as the collateral does not decline in value to a point which makes the margin too small. It is evident that this is quite different from the "call" loan as usually carried in New York city.



$3000.00 New York, March 14 1905.

Ninety days after date, for value received, the undersigned promises to pay the COLUMBIA TRUST COMPANY, or order, at the office of said Company, 26 Nassau Street, City of New York, three thousand Dollars ($3000.00) with interest at the rate of five per centum (5 %) per annum, having deposited with said Trust Company as collateral security for the payment of this, and for all other present and future demands of the holder hereof against the undersigned, due or not due.

$2000 Chesapeake & Ohio Ry. 1st. Mtge. 6% gold bonds
30 sh. N.Y., Chicago and St. Louis Ry.

and hereby empower the holder hereof, on non-performance of any obligations herein contained to sell, without notice and without demand of payment, the whole or any part of said securities and substitutes therefor and additions thereto, at any brokers' board or at public or private sale, within or without the City of New York, at the option of the holder hereof, and after deducting all legal charges, expenses of said sale and collection of this note, to apply the proceeds to the payment of the principal and interest of this note, and other demands against the undersigned aforesaid, accounting to the undersigned for the surplus, if any. In case of deficiency after sale and application of proceeds, the undersigned agree to pay the amount thereof, with legal interest

In case of depreciation in the market value of the property held as collateral to this loan, or in case any of the collateral securing this loan shall be unsatisfactory in amount or otherwise to the holder, the undersigned will forthwith make such payment of principal and interest, or deposit such additional securities as collateral hereto, as may be required and approved by the holder hereof. In case such payment shall not be made, or securities deposited as aforesaid, this note shall, at the option of the holder, become immediately due and payable, and the collateral deposited, as aforesaid, may be forthwith sold and the proceeds thereof applied as hereinbefore provided, the undersigned contracting and agreeing forthwith to pay the holder any deficiency, with legal interest thereon. On sale of any of said collateral the holder may purchase and hold the same, free from any claim of the undersigned, applying the amount of the purchase price in the liquidating or reducing the indebtedness. The collateral herein mentioned, and any securities which shall be either added to or substituted therefor and the proceeds thereof, shall also be held and treated as collateral security for any and all other debts or claims (absolute or contingent, due or to grow due), held against the undersigned by said Trust Company at any time, and shall be subject to sale upon non-performance of any obligation thereby imposed and to all the conditions and agreements herein contained.

Any delay on the part of the holder hereof in exercising any rights hereunder shall not operate as a waiver of said rights.

If the undersigned shall become insolvent, make a general assignment for the benefit of creditors or file a voluntary petition in bankruptcy, or if a petition in bankruptcy be filed against the undersigned, then this note shall be forthwith due and payable, and in any such event all property of the undersigned in the possession or under the control of the Trust Company shall be collateral security hereunder.

William R Swift.

FIG. 172.—COLLATERAL NOTE.

A power of attorney for the transfer of stock is printed on the back of each stock certificate; a customary form of such a power being as follows:

For value received.....hereby sell, assign and transfer unto..... .....shares of the capital stock represented by the within certificate, and do hereby irrevocably constitute and appoint..... .....attorney to transfer the said stock on the books of the within-named company, with full power of substitution in the premises.

Dated.....190....

.....

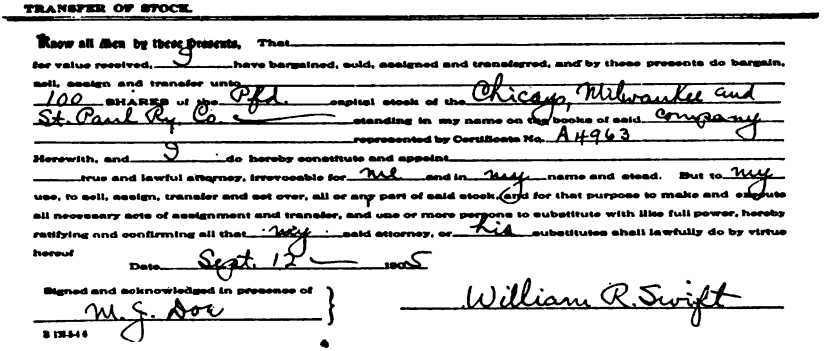
In presence of

.....

For various reasons, however, borrowers often prefer to sign a separate power of attorney, and a form for same is shown in Figure 173.

Digitized by Google

In cases where loans are made to corporations, it is necessary to have evidence of the authority of the officers of the corporation to hypothecate



TRANSFER OF STOCK.

Know all Men by these Presents, That _____

for value received, I have bargained, sold, assigned and transferred, and by these presents do bargain, sell, assign and transfer unto _____

100 SHARES of the Pfd. capital stock of the Chicago, Milwaukee and St. Paul Ry. Co. standing in my name on the books of said Company represented by Certificate No. A4963

Herewith, and I do hereby constitute and appoint _____

true and lawful attorney, irrevocable for me and in my name and stead. But to my use, to sell, assign, transfer and set over, all or any part of said stock, and for that purpose to make and execute all necessary acts of assignment and transfer, and one or more persons to substitute with like full power, hereby ratifying and confirming all that my said attorney, or his substitutes shall lawfully do by virtue hereof

Date Sept. 12 1905

Signed and acknowledged in presence of M. J. Doe

William R. Swift

B 12546

FIG. 173.—POWER OF ATTORNEY FOR TRANSFER OF STOCK.

its securities. For this purpose a copy of the resolution of the board of directors of the corporation authorizing such hypothecation is required, a form for which is as follows:

COPY OF RESOLUTION.

At a regular meeting of the Board of Directors of the..... Company of.....held on the..... day of.....A. D., 190..... the following resolutions were unanimously adopted:

RESOLVED, that the president, vice-president, secretary or treasurer of this company are, and each of them is hereby authorized and empowered to borrow on behalf of this company from the Blank Trust Company from time to time, such sums of money as such officers or either of them may deem expedient, not exceeding in the aggregate at any one time the sum of.....dollars, on such terms and conditions as such officer so acting hereunder may approve, and to pledge as security for the re-payment of each of such loans such securities or assets of this company as may be required, and agreed upon between such officers and the Blank Trust Company, and to give this company's obligation or obligations in evidence thereof, and from time to time when any obligation evidencing any of such loans matures, to renew the loan in whole or in part until the same is paid in full; and that each of such officers is also authorized to borrow money from the Blank Trust Company on behalf of this company, from time to time by rediscounting with said Blank Trust Company any of the bills receivable held by this company, not exceeding in the aggregate at any one time the sum of.....dollars, on such terms as such officer may approve; and the Blank Trust Company may, at any time, apply any money or property in its hands belonging to this company to the payment of any indebtedness of this company to it, whether due or not.

RESOLVED FURTHER, that a certified copy of these resolutions be sent to said the Blank Trust Company, and that they shall remain in full force until written notice of their repeal shall have been given to the Blank Trust Company, and until all indebtedness which may have been incurred as aforesaid shall have been fully paid and satisfied.

THIS IS TO CERTIFY, that the foregoing is a correct copy of the record of a meeting of the Board of Directors of the.....Company, of.....held in said city on the.....day of.....A. D., 190....

.....

(Affix seal of company here.)

.....

The officer certifying the copy of resolutions should be other than the officer on whom the resolution confers power to borrow the money.

It sometimes happens that a person wishes to get a loan on securities which are in his possession, and are properly endorsed for transfer,

Digitized by Google

but are not his personal property. In such cases, it is best to have from the owner of the securities a certificate showing that the other person has authority to pledge them as collateral. A form used for this purpose is as follows:

AUTHORITY TO HYPOTHECATE SECURITIES.

Buffalo, N. Y., Aug. 5, 1906.

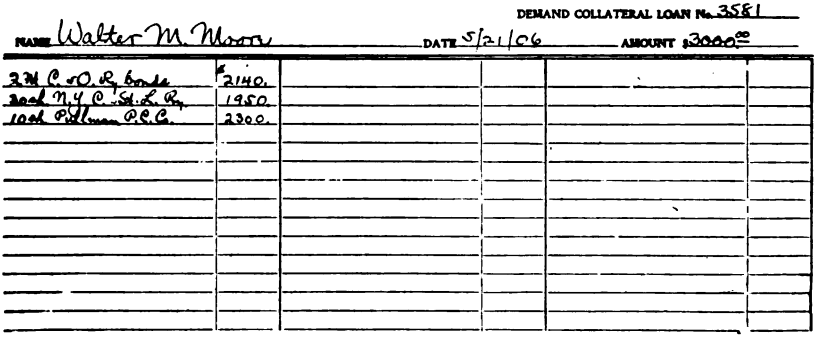
To the Blank Trust Company.

THIS IS TO CERTIFY, That John Jones is hereby authorized to hypothecate for his own account or otherwise, 100 shares of The Lake Shore and Michigan Southern Ry. Co. stock standing in my name, as security for any loan or loans made by the Blank Trust Company to him or for any other indebtedness of his to said Trust Company, and to receive said security upon payment of such loan or indebtedness. This authority is good until revoked by me in writing.

MARY R. JONES.

Witness: Wm. Smith.

For the safe-keeping of the notes and collateral, loan envelopes are provided, made of manila paper or of strong paper re-enforced with cloth, and having printed on the face memoranda regarding the contents. Figure 174 shows the face of such an envelope. These envelopes


DEMAND COLLATERAL LOAN No. 3581

NAME Walter M. Moore DATE 5/21/06 AMOUNT $3000.00

3M C.&O.R.R. bonds	$2140.				
2nd N.Y.C.&St.L.Ry.	1950				
10sh Pullman P.C.C.	2300.				

FIG. 174.—FACE OF COLLATERAL LOAN ENVELOPE.

are filed alphabetically in the drawers of a cabinet which is kept in the vault. A convenient arrangement is to have this cabinet made of metal and mounted on trucks, so that it may be placed in the loan cage during business hours. On each envelope, as the figure shows, are recorded the name of the borrower, the date, number and amount of the loan, and a list of the collateral; the plan involving the use of a separate envelope for each loan, even when there are several loans to one person. Some companies, however, keep the collateral of all the loans of each customer in one package, using expansible wallets which will contain a considerable number of papers. In cases where the collateral consists of a number of bonds too large to be placed in an envelope or wallet, the bonds are kept in a specially prepared place in the vault, and a memorandum of same is placed in the loan envelope. In some companies all collateral for loans is kept always in the vault under joint control of two officers, or of an officer and the loan clerk, or of one of these and the auditor or one of his force.

Digitized by Google

Some companies do not file the notes with the collateral, but keep all notes together in a wallet, for greater convenience in endorsing interest and payments.

Instead of, or in addition to, keeping a record of loans and collateral on the same cards or sheets, as indicated on the records above described, some companies keep a record of the collateral in a separate book known as the collateral register, a form of which is shown in Figure 175. Of this record one page (or more if needed) is used for each borrower. Another form of this record is shown in Figure 176. A third form contains space for the record of collateral of loans to different customers in consecutive order as the loans are made. Space is left after the list

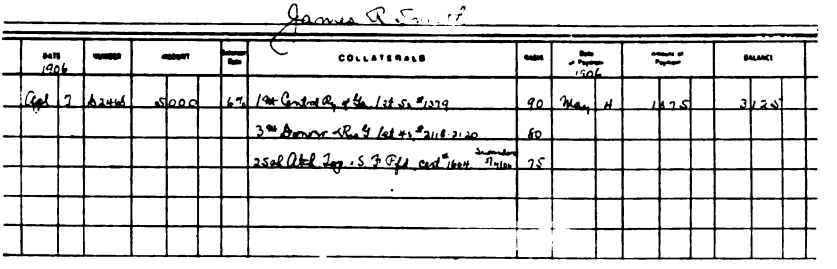


FIG. 175.—COLLATERAL REGISTER.

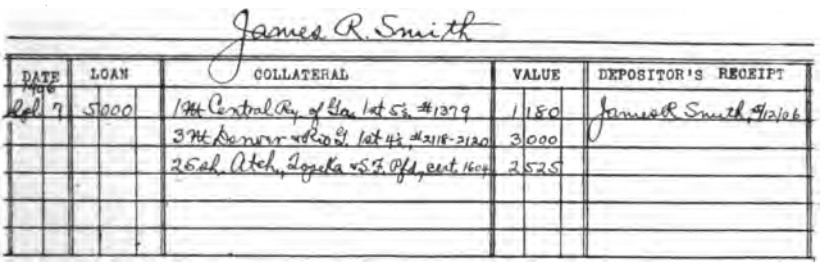


FIG. 176.—COLLATERAL REGISTER.

of collateral of each loan for possible changes in collateral; but on this form it is not possible to group together all the collaterals of each customer.

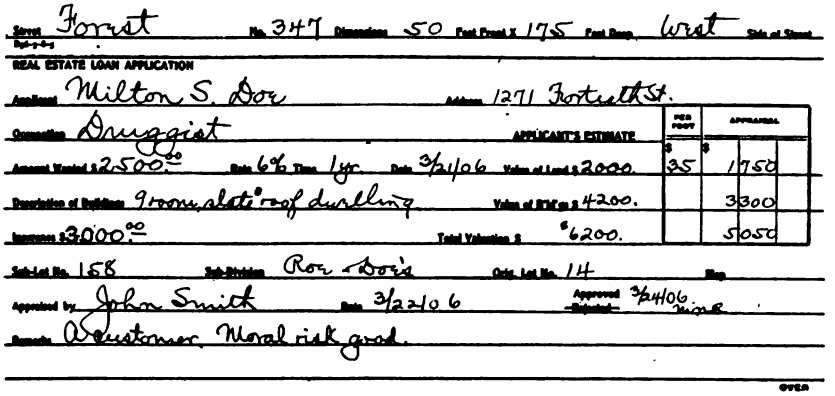
Some companies keep a "Loan Accession Book," which is a register of collateral loans in the order in which they are received, being similar in principle to a register of bills discounted, a form of which is shown in figure 194. Spaces are provided for the date, name of borrower, due-date, rate, amount and list of collateral.

REAL ESTATE MORTGAGE LOANS.

Applicants for loans to be secured by mortgages on real estate are required to fill out application blanks giving particulars regarding

Digitized by Google

the property to be mortgaged. This information is primarily for the purpose of enabling the company to locate and appraise the property; and secondarily to bring to light any facts that might aid in forming an estimate of the desirability of the loan. Often the application itself shows that the loan would not be a desirable one, and the company is saved the trouble and expense of making an appraisal. The amount of information called for on the blank varies considerably with different companies. Sometimes the applicant is required to sign a formal order authorizing the company to make or procure a loan, and agreeing to pay all expenses incurred should the loan be declined. Other companies prefer to have an officer fill out the blank from verbal information given by the applicant, because the personal interview often brings out important information that would not be shown in a written application. Figure 177 shows a short form of application blank. This is printed on card-board; and after the property has been appraised the


Street Forest No. 347 Dimensions 50 Feet Front x 175 Feet Deep West Side of Street

REAL ESTATE LOAN APPLICATION

Applicant Milton S. Doe Address 1271 Fortieth St.

Occupation Druggist APPLICANT'S ESTIMATE

	PER FOOT	APPRAISAL
	$	$
Amount Wanted $2500.00 Rate 6% Time 1 yr. Date 3/21/06 Value of Land $2000.	35	1750
Description of Buildings 9 room, slate roof dwelling Value of B'ld'gs $4200.		3300
Insurance $3000.00 Total Valuation $ $6200.		5050

Sub-Lot No. 158 Sub-Division Roe & Doe's Orig. Lot No. 14 Map

Appraised by John Smith Date 3/22/06 Approved 3/24/06 ~~Rejected~~ mine

Remarks A customer. Moral risk good.

OVER

FIG. 177.—REAL ESTATE LOAN APPLICATION CARD.

cards are filed alphabetically by names of streets. In time these card-files become valuable sources of information as to property values in the various localities in which the company makes such loans. On the back of the card is shown a plat of the property and any remarks the appraisers see fit to record.

Figure 178 shows a longer form of application blank, this being printed on a sheet of paper 14 by 8½ inches in size.

After the appraisers have made their report, the application goes before the finance committee for approval or rejection; and, if approved, the papers are signed and acknowledged, and the mortgage put on record. The abstract is then ordered extended to inelude the mortgage, and is examined and approved by the company's attorney before the proceeds of the loan are paid to the borrower. If the examination shows an unsatisfactory title, the loan is not made, and the mortgage is cancelled of record. If prior liens are shown, these must of course be removed before the loan is made.

Digitized by Google

SECURITY TRUST COMPANY,

N. E. Cor. Third and Market Streets, Camden, N. J.

Telephone 362.

I hereby authorize the SECURITY TRUST COMPANY, of Camden, to procure for me a loan of two thousand Dollars $2000.00 for four years at 6 per cent. interest per annum, payable semi annually, on mortgage on the following described property and I agree to have all necessary legal papers prepared and recorded at my own cost, and should title prove defective, or application be withdrawn after papers are begun I agree to pay for all expenses incurred.

Bondsman: James R. Watson Occupation Plumber

Location of Property 1329 Sixty-third St.

Dimensions of Grounds 35 x 120 feet

Description of Buildings 2 story brick dwelling, nine rooms, slate roof

present condition Good when built 1891

Value of Ground (exclusive of Buildings) present worth in Cash $ 1400.

Value of Buildings (exclusive of Ground) present worth in Cash $ 4000.

If offered at Public Sale now I believe this property would bring at least $ 4000.

Occupied as a dwelling Insured for $3000.00

Annual Rent at — Assessed Value $1800.00

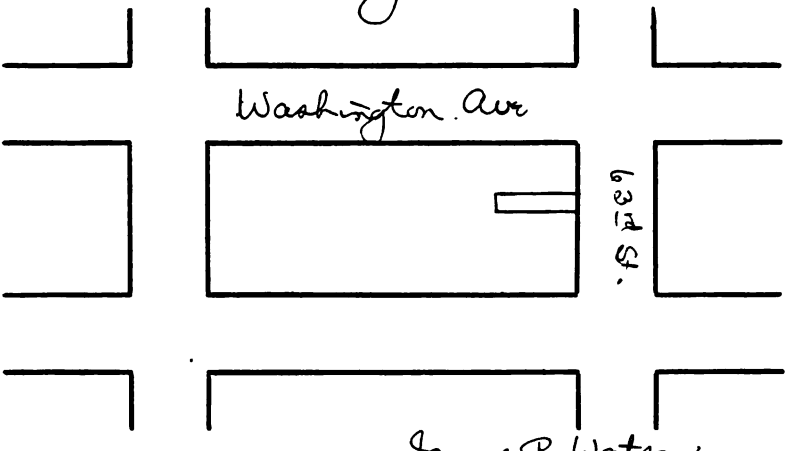
Is property incumbered in any way? No.

Remarks Proceeds of loan to apply on purchase of another place.

Dated April 7, 1906.

Send photographs of premises if possible, unmounted

(Signed) James R. Watson, Applicant.



We have examined the above described property of James R. Watson located in the city of Camden County of Camden and State of New Jersey and of which the foregoing is a just and fair description, and are of the opinion that said property is worth at least four thousand dollars, and would bring that sum, if offered for sale.

The ground is worth	$1200.00
The improvements are worth	$3100.00
Total	$4300.00

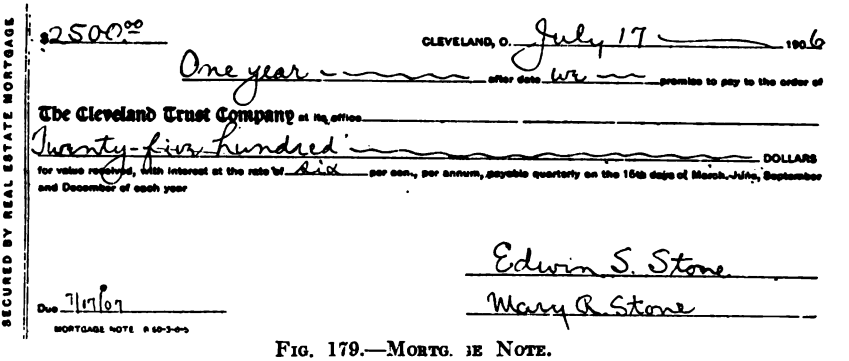
Dated April 8 1906

Thos. Wilkins
John R. Stuart
F. W. Worth

FIG. 178.—REAL ESTATE LOAN APPLICATION SHEET.

Digitized by Google

There are several styles of notes used in connection with mortgage loans. One is a simple promissory note containing a memorandum of the fact that it is secured by a real estate mortgage, such as that shown in Figure 179. Another form is more elaborate, and is accompanied by interest coupon notes. The mortgagors sign both the original note and the interest coupons; and the latter being in the form of notes are collected at maturity in the same manner as any note, thus making it un-


SECURED BY REAL ESTATE MORTGAGE

$2500.00 CLEVELAND, O. July 17 1906

One year after date we promise to pay to the order of

The Cleveland Trust Company at its office

Twenty-five hundred DOLLARS

for value received, with interest at the rate of Six per cent., per annum, payable quarterly on the 15th days of March, June, September and December of each year

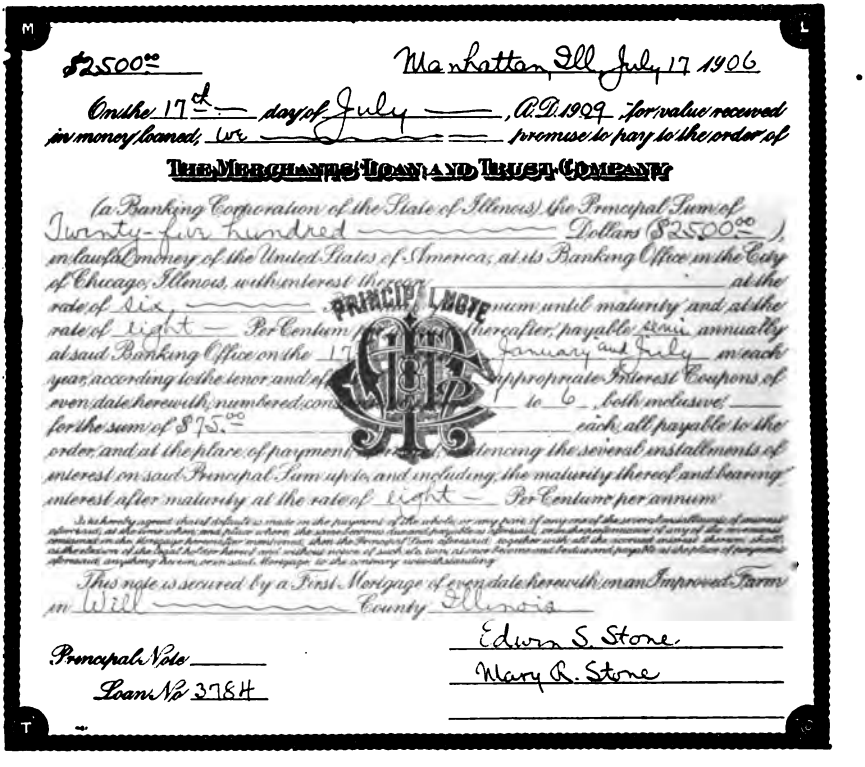
Edwin S. Stone

Mary R. Stone

Due 7/17/07

MORTGAGE NOTE

FIG. 179.—MORTG. E NOTE.


$2500.00 Manhattan, Ill July 17 1906

On the 17th day of July, A.D. 1909, for value received in money loaned, we promise to pay to the order of

THE MERCHANTS' LOAN AND TRUST COMPANY

(a Banking Corporation of the State of Illinois) the Principal Sum of Twenty-five hundred Dollars ($2500.00), in lawful money of the United States of America, at its Banking Office in the City of Chicago, Illinois, with interest thereon at the rate of Six per centum until maturity and at the rate of Eight Per Centum thereafter, payable semi-annually at said Banking Office on the 17 January and July in each year, according to the tenor and effect of the appropriate Interest Coupons of even date herewith, numbered consecutively from 1 to 6, both inclusive, for the sum of $75.00 each, all payable to the order and at the place of payment of the [illegible] evidencing the several installments of interest on said Principal Sum up to, and including, the maturity thereof, and bearing interest after maturity at the rate of Eight Per Centum per annum.

It is hereby agreed that if default is made in the payment of the whole or any part of any one of the several installments of interest aforesaid, at the time when, and place where, the same become due and payable as aforesaid, or in the performance of any of the covenants contained in the mortgage hereinafter mentioned, then the Principal Sum aforesaid, together with all the accrued interest thereon, shall, at the option of the legal holder hereof, and without notice of such option, become due and payable, and suit at law or in equity may be instituted for the collection of the same, and for the foreclosure of the mortgage hereinafter mentioned, anything herein, or in said mortgage to the contrary notwithstanding.

This note is secured by a First Mortgage of even date herewith on an Improved Farm in Will County Illinois

Principal Note

Loan No 3784

Edwin S. Stone

Mary R. Stone

FIG. 180.—MORTGAGE NOTE.

Digitized by Google

necessary to send interest notices. A form of such a note is shown in Figure 180, and one of the accompanying interest coupons is shown in Figure 181. This particular form of note and coupon is used for mortgages on farm property. Figure 182 gives another form of interest coupon.

The form of note with interest coupons is well adapted to loans which are to run for a considerable period, and particularly to loans

FIG. 181.—INTEREST COUPON TO ACCOMPANY MORTGAGE NOTE SHOWN IN FIG. 180.

made with a view to selling them to investors—a business which is steadily growing in volume, and which some companies make a specialty. The shorter form of note is better adapted to loans which are to run for a comparatively brief period, or which the mortgagor is to have the privilege of paying in part or in full at his option after a certain date. It is a common practice to make such notes for one year, and to carry them after maturity as demand obligations.

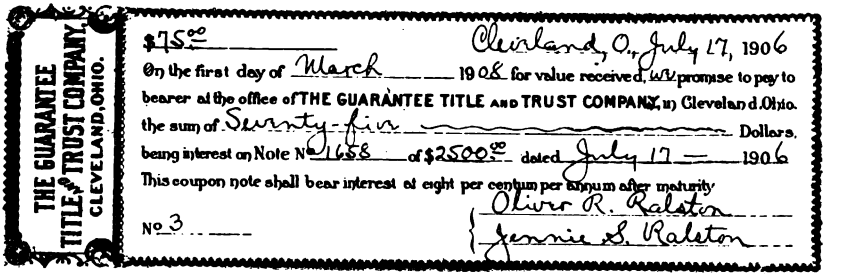


FIG. 182.—INTEREST COUPON TO ACCOMPANY MORTGAGE NOTE.

In Figure 183 is shown a form of mortgage note used in New York and elsewhere, and known as a bond. The document is a folded sheet, containing four pages, of which only the first is shown in the figure. On the second page provision is made for the acknowledgments of the makers and the witnesses of the instrument. The third page provides forms for the record of interest payments and payments on principal, and the last page is the cover.

Digitized by Google

Bond.—No. 574. [illegible]

KNOW ALL MEN BY THESE PRESENTS,

That I, William H. Mantelle, ——————

hereinafter designated as the obligor, do hereby acknowledge myself —— to be indebted to

The Title Guarantee and Trust Company, ——————

hereinafter designated as the obligee, in the sum of three thousand ——————

dollars, lawful money of the United States, which sum I, the said obligor do hereby covenant to pay to said obligee, its successors or assigns, on the twentieth day of April nineteen hundred and ten, with interest thereon, to be computed from the twentieth day of April, 190 6, at the rate of six per centum per annum, and to be paid on the twentieth day of October next ensuing the date hereof, and semi-annually thereafter. ——————

—— AND IT IS HEREBY EXPRESSLY AGREED THAT the whole of said principal sum shall become due at the option of said obligee after default in the payment of interest for thirty days, or after default in the payment of any tax or assessment for thirty days. All of the covenants and agreements made by the said obligor in the mortgage covering premises therein described and collateral hereto, are hereby made part of this instrument.

Signed and sealed this twentieth day of April, 1906.

IN THE PRESENCE OF

Arthur Borodle
James M. Moon

William H. Mantelle (Seal)

FIG. 183.—MORTGAGE BOND.

Digitized by Google

The form of mortgage varies somewhat in different localities, but the following wording of an Ohio form shows all of the essential features:

MORTGAGE DEED.

KNOW ALL MEN BY THESE PRESENTS

That .....
.....
....., the GRANTOR...., for the CONSIDERATION of ..... DOLLARS, ($.....) received to.....full satisfaction of The Blank Trust Company, the GRANTEE, do GIVE, GRANT, BARGAIN, SELL AND CONFIRM unto the said GRANTEE, its successors and assigns, the following described premises: Situated in the..... of.....County of....., and State of Ohio, and known as.....
.....
be the same more or less, but subject to all legal highways. TO HAVE AND TO HOLD, the above granted and bargained premises, with the appurtenances thereunto belonging unto the said GRANTEE, its successors and assigns, forever. And ....., the said GRANTOR...., do for.....and.....heirs, executors and administrators, covenant with the GRANTEE, its successors and assigns, that at and until the ensealing of these Presents.....well seized of the above described PREMISES as a good and indefeasible estate in FEE SIMPLE, and have good right to bargain and sell the same in manner and form as above written; that the same are FREE AND CLEAR FROM ALL INCUMBRANCES whatsoever, ...
.....
.....
.....
and that.....will WARRANT AND DEFEND said premises, with the appurtenances thereunto belonging, to the said GRANTEE, its successors and assigns forever, against all lawful claims and demands whatsoever, ...
.....
.....
And....., the said.....
of said .....
do hereby REMISE, RELEASE AND FOREVER QUIT CLAIM unto the said GRANTEE, its successors and assigns, all.....right and title of DOWER in the above described premises.

THE CONDITIONS OF THIS DEED ARE SUCH, That, whereas, the said.....
.....
ha....executed and delivered to the said The Blank Trust Company, ...promissory note...., dated .....
for the sum of..... DOLLARS, payable to its order.....
after date, with interest at the rate of.....per cent. per annum, payable quarterly, on the Fifteenth days of March, June, September and December of each year until paid; principal and interest being payable at its office, and all overdue interest bearing interest at the rate of.....per cent. per annum, payable quarterly until paid; and ha.....agreed to keep the buildings on said premises, at all times until payment of said note, insured against loss or damage by fire, in the sum of at least $.....and under policies approved by and deposited with the Grantee and which shall provide for the payment of any loss under the same to the Grantee or its assigns as its or their interest may appear; and ha....also agreed to pay all taxes and assessments levied on said premises as the same become due and payable; and ha....also agreed that if such insurance be not so procured, or such taxes or assessments so paid, that the Grantee or its assigns may procure or pay the same, and that.....will on demand pay to it or them, the cost of such insurance or amount paid for taxes or assessments, with interest thereon at the rate of eight per cent. per annum.

AND GRANTOR...AGREE..., that if any taxes or assessments on said premises or any installment of interest or principal of said note...., or premium of insurance, as herein provided for, be not paid when due or within fifteen days thereafter, then said entire principal shall also become due and payable at the option of the holder of this mortgage, and also that upon any such default, the holder hereof may take possession of said premises, rent the same, and collect all rents accruing on leases thereof, and after deducting its reasonable charges therefor, apply the proceeds to the payment of said note...., or to the performance of any of the agreements above recited and may so continue to do until full payment and performance shall have been thus effected.
.....
.....

Digitized by Google

Now, if the said..... heirs, assigns, executors or administrators, shall well and truly pay the aforesaid note....and interest thereon to the said **The Blank Trust Company**, its successors or assigns, and perform the several conditions above recited, then the above DEED shall be void; otherwise the same shall remain in full force and virtue in law.

IN WITNESS WHEREOF, ... hereunto set.....hand....., at.....Ohio, this.....day of .....in the year of our Lord One Thousand Nine Hundred and.....

SIGNED, AND ACKNOWLEDGED
IN PRESENCE OF

....
....
....
....

THE STATE OF OHIO,
ss.
.....County,

BEFORE ME, a.....in and for said County, personally appeared the above named ...., who acknowledged that.....did sign the foregoing instrument, and that the same is .....free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal, at..... this .....day of....., A. D. 190....

.....
.....

A common form for the satisfaction of a mortgage is as follows: "The conditions of this mortgage have been complied with, and the same is hereby satisfied and discharged." This is usually printed on the back of the mortgage, ready for use when wanted. A form for the assignment of a mortgage reads thus: "For a valuable consideration, the receipt whereof is hereby acknowledged, The Blank Trust Company hereby sells, assigns and transfers unto ..... all its right, title and interest in and to the within mortgage and the obligation secured thereby."

Journal records regarding mortgage loans are made on the journal already shown, in Figure 163; or, if no loan journal is kept, are entered upon the general journal in the same manner as records of collateral loans. In either case, the total figures for each day are of course recorded on the general books. The ledger forms may be similar to those shown for collateral loans, except of course that a description of the real property mortgaged is substituted for the description of collateral. The form of ledger will depend somewhat upon the local usages regarding real estate, and also upon whether the loans are usually upon city or country property. Figure 184 gives the form of a ledger card uniform in size and style with the collateral loan ledger cards shown in Figures 164 and 167. The size of the card is 5 by 8 inches. The interest record is given on the back of the card, and is the same form as that given in Figure 168. A plat of the property, together with other information for which

Digitized by Google

REAL ESTATE LOAN No. 1279

TO James S. White ADDRESS

MEMO DATE 4/10/06 TIME 1 yr. DUE 4/10/07 RATE 6% INT DUE Semi-an.

DESCRIPTION OF PROPERTY		DATE	DEBIT	CREDIT	BALANCE
50 x 162 feet on the s/s 23rd & 29 Seventieth St.		6/12/06	2000		2000
Plot or Sub-div Mason's	Appraised by John Doe	6/12/07		1000	1000
Block No 23	Land for Ft. $30 $1500.				
Sub Lot No 15	Building $2500.				
Assessment No 78 Page 19	Total $4000.				
Insurance Queen #1293408 $2000	on 12/15/06				

FIG. 184.—MORTGAGE LEDGER CARD.

BOND OF Walter & Mary Richmond
MORTGAGE OF do.
TO The Blank Trust Company

DATE 1905	Mortgage No.	DUE 1906	RECORDED Register's office	Liber	Page	Date	Time	Sec.	Block	INTEREST Rate	From	To	Amount Loan	Date of Principal Payments
April 7	3479	April 7		92	413	April 8 1905	10 A.M.	12	4	6%	April 7	Oct 7	5000	
													1000	April 7

Date of Payment | Paid to | Amount
Oct 7 1905 | Apr 7 1906 | 150
Oct 7 1906 | Apr 7 1907 | 180

Title Policy No. 2341
Guarantee Policy No.
Section 12
Volume 241
Block 14
Lot 193
Street No. 257 Summit St.
Assessed Value $3000
Tax Value $1800. By whom Made J.H.L. Date 4/1905
Owner's Estimated Value $14000 Date 4/1905
Appointed by Securities Corp.
Examined & Approved By R.R.S.
Taxes Paid to Jan 06
Water Rents Paid April 06
Assessments Paid
Date Tax Search 4/7/05
Tax Search Folio 2349

DESCRIPTION OF BUILDING
Three story brick dwelling and 2 story stone rear. Slate roof. About 15 yrs old

Name Walter Richmond Occupation Address 257 Summit St.

INSURANCE AMOUNT REQUIRED $7000

Company Insuring	No. Policy	Expires	Amount	REMARKS
Aetna	1234128	May 1907 5	3000	
Hartford	865678	June 11	1500	

FIG. 185.—MORTGAGE LOAN LEDGER SHEET.

Digitized by Google

there is not room on the card, may be given either on the loan envelope shown in Figure 186, or on a sheet contained in the envelope. These ledger cards and the loose leaves shown in figure 185 are filed in alphabetical order, so that no separate index of the loans is required, as is the case when a bound book is used. In Figure 185 is given a loose-leaf ledger form 15 by 13½ inches in size, which provides space for more elaborate information. The arrangement of the items could be improved, but the form shows the information called for.

The various papers connected with the loan, including the note, mortgage, abstract and insurance policies, are placed in an envelope made of manila or other strong paper; and the envelopes are filed in alphabetical order (or numerical order, if preferred) in cases like those already described for collateral loans. Figure 186 shows the face of such an envelope.

There is frequently occasion to release a portion of the property covered by a mortgage, upon payment of a part of the loan. A standard form of release reads as follows:

RELEASE.

For a valuable consideration, The Blank Trust Company hereby releases from the lien and operation of a certain mortgage from .....
.....
to the said The Blank Trust Company, and recorded in Vol..... on Page....., ...County Records, so much of the property therein described as is known and described as follows, viz:

..... without, however, invalidating the lien of said Mortgage upon the remainder of the land therein described.

Signed this.....day of.....A. D.....

THE BLANK TRUST COMPANY.

In presence of

..... By .....

....

THE STATE OF.....,
ss.
..... County.

Before me, a Notary Public, in and for said county, personally appeared the above named The Blank Trust Company, by.....
.....
of the said Company, who acknowledged that they and by them as its officers The Blank Trust Company did sign and seal the foregoing instrument, and that the same is the free act and deed of the said The Blank Trust Company and of themselves as such officers.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal at..... this .....day of.....A. D.....

.....

Notary Public.

Miscellaneous Loan Forms.

When a payment is made on a note it is sufficient to endorse on its back the word "Paid," with the amount of payment and the date thereof. It is a convenience, however, to have a rubber stamp for this purpose,

Digitized by Google

showing the balance due after the payment, so that such balance may be seen at any time without having to stop to figure up the total of payments made. Figure 187 shows a form of such a stamp.

The loan department should keep a special tickler for its work. The old-time bound book tickler may be used, but cards are much more convenient. Figure 188 gives a form of tickler card for maturities of time loans. A form of tickler card for insurance expirations has been shown in Figure 26.

Notices of interest due on loans should be sent to borrowers ten days or two weeks before such interest is payable. These notices need state

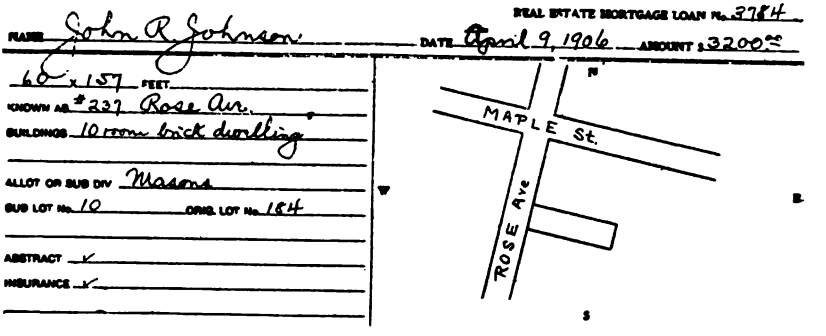


FIG. 186.—ENVELOPE FOR MORTGAGE LOAN PAPERS.

5/6/06 PAID ON WITHIN LOAN $500.00

BALANCE DUE $3500.00

FIG. 187.—STAMP FOR ENDORSEMENT OF PAYMENTS ON NOTES.

TIME LOANS DUE

B14 6-2-5

September 8 — 1906

NUMBER	MAKER	AMOUNT
3746	John and Mary Wilson	3000

OFFICE EQUIPMENT CO.

FIG. 188.—TIME LOAN TICKLER CARD.

Digitized by Google

only the total amount of the interest and the due-date; but it is more satisfactory to the borrower, and therefore often saves time in the end, to send a detailed statement, showing the principal, time, rate and amount of interest for each item. Figure 189 shows such an interest statement. When payment is made, the notice is stamped "Paid," and serves as the customer's receipt. Figure 190 shows a form having a stub attached,

The Cleveland Trust Company

MAIN OFFICE—No. 1 EUCLID AVE.

THE INTEREST ON YOUR REAL ESTATE LOAN WILL BE DUE JUNE 15, 1906

KINDLY SEND YOUR CHECK IN ACCORDANCE WITH THE STATEMENT BELOW.

STATEMENT

AMOUNT	MO'S	DAYS	RATE	INTEREST
$4000.	6		6%	$120.

PLEASE PRESENT THIS STATEMENT WITH YOUR PAYMENT.

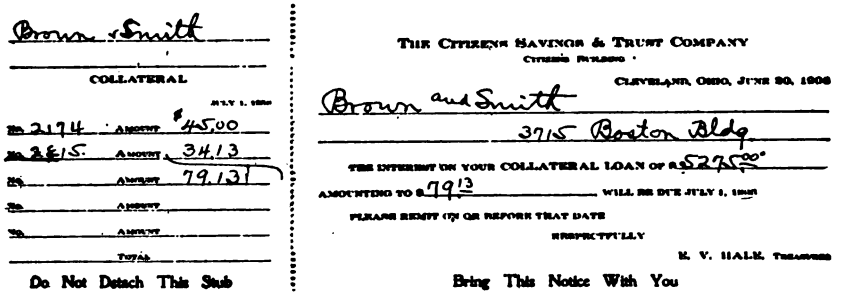
B 8-6-6-6

FIG. 189.—INTEREST NOTICE.

which is a convenience when a large number of interest payments are received in a short time. When the payment is made, the teller simply stamps the notice "Paid" with a rubber stamp bearing the date, tears off the stub and places same on a spindle. This makes it unnecessary to stop at the time to make a book entry of the payment; provided, of course, the customer remembers to bring the notice with him.

Digitized by Google

Figure 191 shows a form used for the record of interest due at the regular interest periods. The names of the borrowers are arranged in alphabetical order, and the sheets are filed in a loose-leaf binder. The details of the interest on each loan are shown, and from these sheets the stenographer copies the matter for the interest notices sent to borrowers. When the customer calls to pay his interest and has failed to bring the


Brown & Smith

COLLATERAL

JULY 1, 1906

No. 2174 AMOUNT $45.00

No. 2615 AMOUNT 34.13

No. AMOUNT 79.13

No. AMOUNT

No. AMOUNT

TOTAL

Do Not Detach This Stub

THE CITIZENS SAVINGS & TRUST COMPANY

CITIZENS BUILDING

CLEVELAND, OHIO, JUNE 30, 1906

Brown and Smith

3715 Boston Bldg

THE INTEREST ON YOUR COLLATERAL LOAN OF $5275.00

AMOUNTING TO $79.13 WILL BE DUE JULY 1, 1906

PLEASE REMIT ON OR BEFORE THAT DATE

RESPECTFULLY

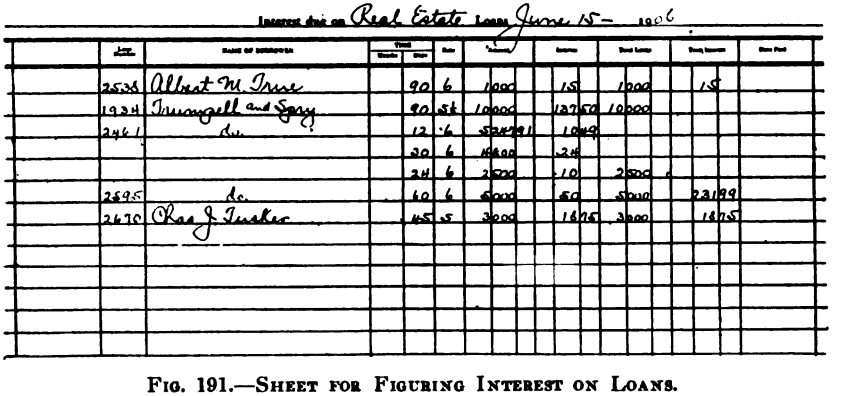
E. V. HALE, TREASURER

Bring This Notice With You

FIG. 190.—INTEREST NOTICE.

interest notice, the amount due from him is easily ascertained from these sheets. In the last column, headed "Date Paid," the date of payment is stamped with a dating-stamp. The amounts in the column headed "Total Loans" furnish a trial balance of the loans on the date when the statement is made up.

Some companies keep a loan book in which are entered all loans in the order in which they are made. A form of this book is shown in Fig-


Interest due on Real Estate Loans June 15– 1906

	2538	Albert M. Trusc		90	6	1000		15	1000		15	
	1934	Trumpell and Spry		90	5½	10000		127 50	10000			
	2461	do.		12	6	5[illegible]91		1049				
				20	6	[illegible]00		24				
				24	6	2500		10	2500			
	2695	do.		60	6	5000		50	5000		221 99	
	2670	Ray J. Tusker		45	5	3000		1875	3000		1875	

FIG. 191.—SHEET FOR FIGURING INTEREST ON LOANS.

ure 192. The loans are numbered in consecutive order without regard to their kind, real estate, demand collateral and time collateral loans being included, as well as discounts in cases where a discount business is conducted. This book is used principally by those companies which do not use a separate loan journal. When the latter is used the loan book is superfluous.

Digitized by Google

DATE 1906		NO	MAKER	SECURITY	KIND	AMOUNT	TIME	Rate	REMARKS
Feb	5	3764	Samuel R. Jones	50 x 200 ft Rho Ave	R.E.	2400	1 yr	6	
	5	3765	Arthur J. Mean	5 M U.S. coupon 4½ of 1925	[illegible]	4855	D	5½	
	6	3766	W. B. Hopkinson	50 sh Col Fuel & Iron Co.	Tons	1400	90 ds	6	

FIG. 192.—LOAN BOOK.

At each meeting of the executive committee, or finance committee, or whatever committee has the supervision of loans, a list of all loans made since the last meeting of the committee is submitted, and the list is formally approved by the members of the committee placing their signatures.

RECORD OF LOANS MADE Mch. 3, 1906 TO Mch. 6, 1906.

MAKER	SECURITY	AMOUNT	DATE 1906	KIND
William and Annie Smith	40 by 136 ft. Iowa St.	2 250	Feb. 28	R. E.
James S. Thompson	20 sh. N. Y. C. & H. R.	1 500	Mch. 1	D.
Doe and Roe	6M Smithville Tr. Co. bnds. 100 sh. do. pfd.	7 300	Mch. 1	D.
A. B. Cooke	2 M Chic. & N.W. ext. 4s	1 600	Mch. 2	T.
S. M. and Mary R. Wild	61 by 175 ft. Clifford St	3 000	Mch. 2	F. E.

APPROVED

EXECUTIVE COMMITTEE

FIG. 193.—FORM FOR REPORT TO EXECUTIVE COMMITTEE.

Digitized by Google

on the page. This record is a part of the minutes of the committee. In some companies the list is typewritten on a blank sheet or sheets of paper, which are filed in a loose-leaf binder. Figuure 193 shows a printed form for this use.

Bills Discounted.

Although trust companies are in many states forbidden to discount paper, there are several states in which they are permitted to handle this business, and the necessary forms are therefore included here.

By some companies all applications for discounts are entered in an "Offering Book," wherein are shown the maker or makers of each note, the endorsers, the name of the person or firm by whom the discount is desired, the amount and time of the note, and any remarks which will aid in forming a judgment as to the desirability of the paper. A column is also provided in which to note whether the paper is accepted or rejected. But many companies dispense with the use of this book, and depend for this record upon the minutes of the finance committee.

When paper offered for discount has been accepted, it is entered in the Discount Register, a form of which is shown in Figure 194. This record shows all necessary data regarding each note. The notes are en-

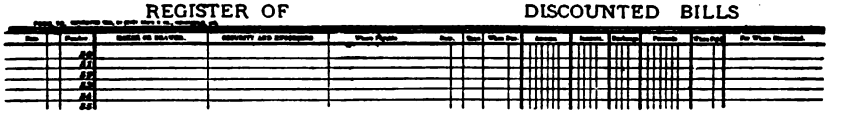


Fig. 194.—Discount Register.

tered in the order in which they are received, and are numbered in consecutive order, the numbers being written or printed in the register, and from there copied on the notes.

At the close of the day the columns of the register showing the amounts of bills discounted and of discount or interest are footed for the day's work, and the totals are usually entered in the general journal directly from the register, although some companies prefer to have each note entered separately in the general journal from debit tickets furnished by the discount clerk. The credits for the Bills Discounted account on the general books are generally made from credit tickets furnished by the discount clerk; but discount registers are in use which provide for the record of discounts paid. If such a register is used, the general bookkeeper gets the total credits, as well as the total debits, for the Bills Discounted account directly from the register.

After a note has been entered in the register, a memorandum of its due date should be made in the discount tickler, a common form of which is shown in Figure 195. If preferred a card tickler may be used instead of the book.

The note should next be entered in the Discount Line Ledger (also called the Customer's Liability Ledger), three different forms of which

Digitized by Google

DISCOUNT TICKLER

THURSDAY.....190

FORM NO. 38.

BANK No.	PAYER	ADDRESS.	ENDORSER OR COLLATERAL.	AMOUNT.	INT.	REMARKS

FIG. 195.—DISCOUNT TICKLER.

are shown in Figures 196, 197 and 198. The headings of the columns make these figures self-explanatory. It will be noted that the ledger shown in Figure 197 separates accommodation and commercial paper, while that shown in Figure 198 separates paper on which the customer is maker from that on which he is endorser. The object of this record is to show the amount of paper that is being carried for each customer, so as to prevent any one from getting more than his proper amount of credit; and also to show the kind of paper usually offered by the customer and the parties whose paper he handles.

Walter R Smith

No.	MAKER	SECURITY												CHARGES	BALANCE	CREDITS	WHEN PAID
[illegible]	[illegible]	Walter R Smith			17									250	250	250	[illegible] 17
[illegible]	James S Wint	do.			26									[illegible]	[illegible]		
[illegible]	[illegible]	do.				16								200	[illegible]		
[illegible]	A B Wood	do.				28								500			

FIG. 196.—LINE LEDGER.

LINE LEDGER

Walter R Smith

DATE		NUMBER	ENDORSER	CHARGES		CREDITS	WHEN					
[illegible]	[illegible]	[illegible]	Walter R Smith	[illegible]	[illegible]		[illegible]			[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	do.	[illegible]	[illegible]				200			[illegible]
[illegible]	[illegible]	[illegible]	do.	[illegible]	[illegible]					[illegible]		[illegible]
[illegible]	[illegible]	do.	do.			[illegible]	[illegible]			[illegible]		[illegible]

FIG. 197.—LINE LEDGER.

SHEET No. 1 ACCOUNT No. [illegible]

James R Miller

AS MAKER						PARTICULARS				AS ENDORSER			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]					
				[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]		[illegible]	[illegible]
	[illegible]		[illegible]		[illegible]	[illegible]	[illegible]		[illegible]				

FIG. 198.—LINE LEDGER.

Digitized by Google

No. Form No. 10. 3-142.

$350.00 Cleveland, O. June 7 — 1906

Sixty days after date I promise to pay

to the order of Charles S. Spring

Three hundred and fifty Dollars,

at The Fourth Trust Company Value received, with interest

at 6 per cent. per annum, payable semi-annually.

Walter J. Moon

No. — Due 8/6/06

FIG. 199.—COMMON FORM OF NOTE.

To the.....

Name (Corporate style under charter) .....

Business .....

Location ..... *Branches* .....

For the purpose of procuring credit from time to time from you for our negotiable paper or otherwise, we furnish you with the following statement which fully and truly sets forth our financial condition on the.....day of .....190..; which statement you can consider as continuing to be full and accurate unless notice of change is given you. We agree to notify you promptly of any change that materially reduces our pecuniary responsibility

In consideration of the granting of such credit, we agree that if we at any time stop payment or become insolvent, or commit an Act of Bankruptcy, or if any of the representations made below prove to be untrue, or if we fail to notify you of any material change as above agreed, then and in either such case all our obligations held by you shall immediately become due and payable without demand or notice, and the same may be charged against the balance of any deposit account kept by us with you, we hereby giving a continuing lien upon such balance of deposit account from time to time existing to secure all our obligations held by you.

ASSETS.			LIABILITIES.		
Cash in ..... Bank			Bills Payable for Merchandise		
Cash on hand			Bills Payable to own Banks		
Bills Receivable, good			Bills Payable for Paper Sold		
Accounts Receivable, good			Open Accounts		
Bills or Accounts Receivable, owing by Officers			Bonded Debt (When due .....)		
Merchandise, finished (How Valued .....)			Interest on Bonded Debt		
Merchandise, unfinished (How Valued .....)			Mortgages or Liens on Real Estate		
Raw Material, (How Valued .....)			Chattel Mortgages		
Real Estate			Deposits of Moneys with us		
Machinery and Fixtures			Other Liabilities, and of what composed.		
Other Assets, and of what composed.			.....		
.....			.....		
.....			.....		
.....			.....		
.....			Total Liabilities		
			Capital		
			Surplus, including Undivided Profits		
Total			Total		

Contingent Liability. { Accommodation Endorsements ..... Endorsed Bills Receivable Outstanding .....

Specify any of above assets or liabilities pledged as, or secured by, collateral, and state collateral.

FIG. 200.—FORM FOR STATEMENTS OF BORROWERS.

Digitized by Google

A common form of a note is shown in Figure 199.

Applicants for discounts are usually required to fill out statements showing the condition of their business, as a means of determining the amount of credit, if any, which it is safe to give them. A standard form for such statements has been adopted by the American Bankers' Association, which is shown in Figure 200. This form is for the use of corporations asking for accommodation. The form for individuals and partnerships is much the same, except that it omits the items applicable only to corporations.

CAPITAL.

Authorized.....Subscribed.....Paid in.....

Held by Company as Treasury Stock.....

How paid in: Cash $.....Other Property.....

Description of other property and how valued.....

What portion of Real Estate, if any, has been acquired through bad debts.....

In whose name is title to Real Estate held.....

Incorporated in what State and under what general Law or Special Act.....

Date of Charter.....Commenced Business.....

Are Stockholders liable beyond amount of stock subscribed.....If so, to what extent.....

Amount of annual business.....Annual Expense.....Annual Dividends.....

When was last Dividend declared.....Rate.....

Insurance carried on Merchandise.....Real Estate.....

Is Mortgage above stated a first lien on all the assets.....

Regular times of taking inventory.....

Give basis of statement, whether actual inventory, by whom taken and date, or if estimate, by whom made and date. {.....

.....}

What amount, if any, of Accts. and Bills Rec. not charged off, is past due, extended or renewed.....

Amount charged off for bad debts last year.....Amount recovered during same period.....

Amount charged off account of plant preceding year.....

State last date of taking trial balance and if same proved.....Regular times of balancing books.....

Number of Bank Accounts and where kept.....

OFFICERS.

NAME IN FULL.	ADDRESS.
President	
Vice President	
Secretary	
Treasurer	

DIRECTORS.

NAME IN FULL.	ADDRESS.

Please Sign Company's Name here.....

By.....

Date Signed.....190....

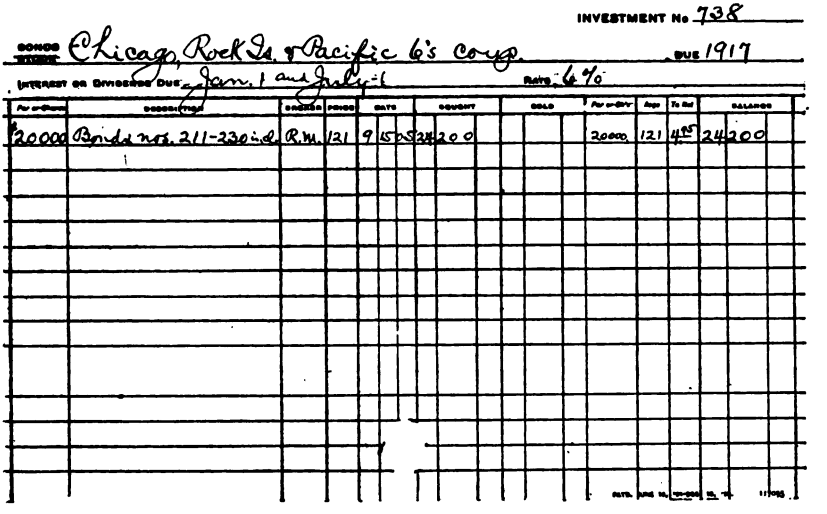
FIG. 200.—FORM FOR STATEMENTS OF BORROWERS (Continued).

Digitized by Google

The determination of lines of credit is a difficult task, and if done on a large scale requires a special equipment. The larger banks maintain separate credit departments devoted to this work and furnished with ample equipment. The subject belongs to a treatise on commercial banking rather than the work of the trust company, and readers interested are referred to discussions of the credit department of banks in current banking periodicals and in published books on the subject.

Investment Records.

To a larger extent than banks, trust companies usually invest a portion of their funds in bonds and standard stocks. Journal records of



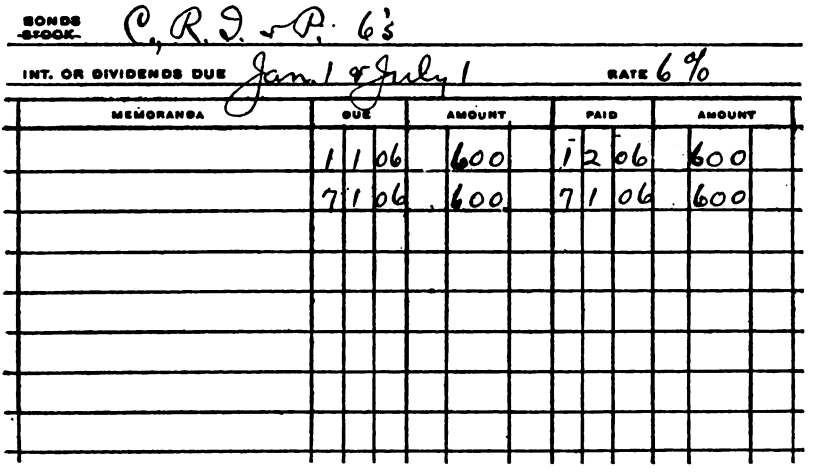
INVESTMENT No 738

BONDS ~~STOCK~~ Chicago, Rock Is. & Pacific 6's coup. DUE 1917

INTEREST OR DIVIDENDS DUE Jan. 1 and July 1 RATE 6%

For or Shares	Description	Broker	Price	Date	Amount	Sold	For or Div.	Age	To Net	Balance
$20000	Bonds nos. 211-230 incl.	R.M.	121	9 15 05	24200		20000	121	4.95	24200

Fig. 201.—Investment Ledger.



BONDS ~~STOCK~~ C., R. I. & P. 6's

INT. OR DIVIDENDS DUE Jan. 1 & July 1 RATE 6%

Memoranda	Due	Amount	Paid	Amount
	1 1 06	600	1 2 06	600
	7 1 06	600	7 1 06	600

Fig. 202.—Record of Income on Investments.

Digitized by Google

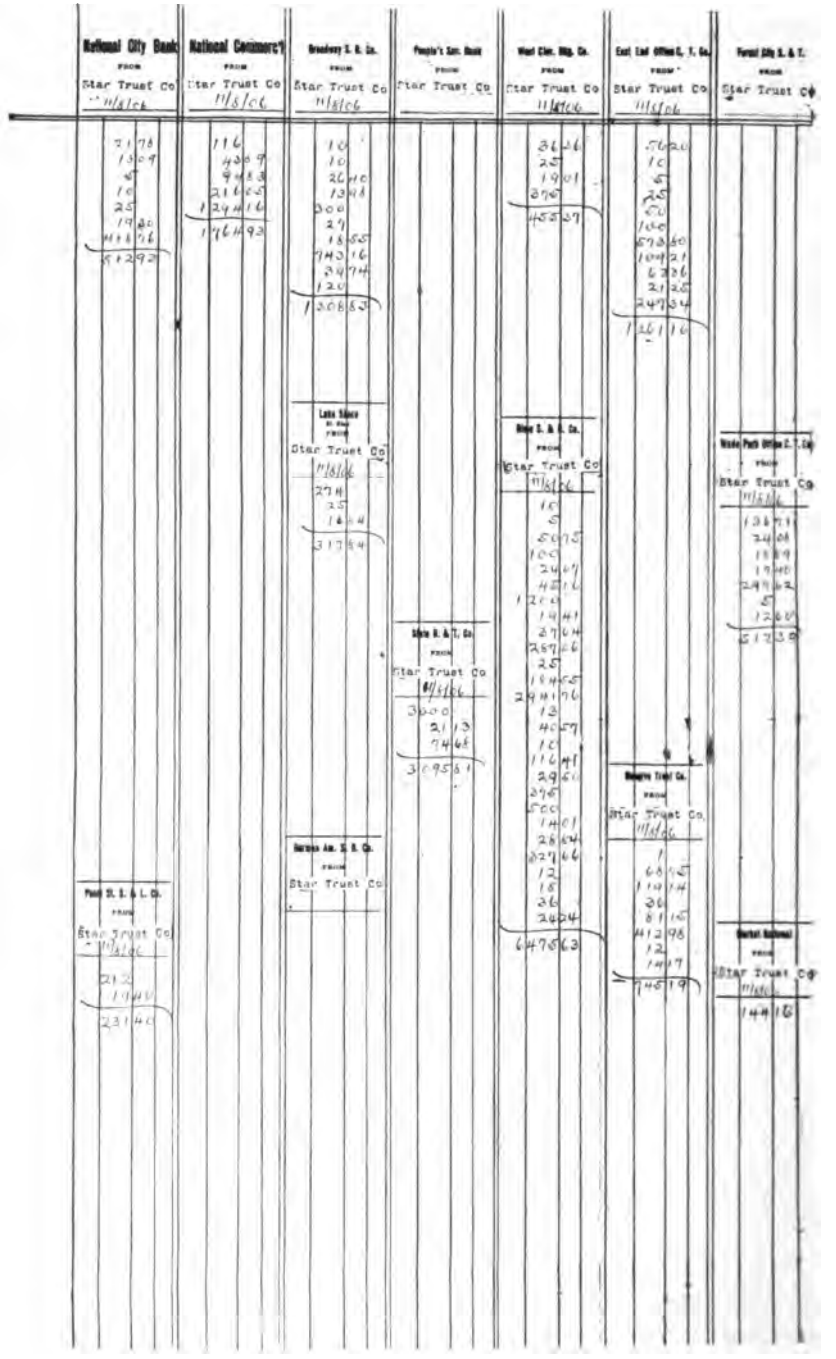


FIG. 203.—CLEARING-HOUSE LIST.

Digitized by Google

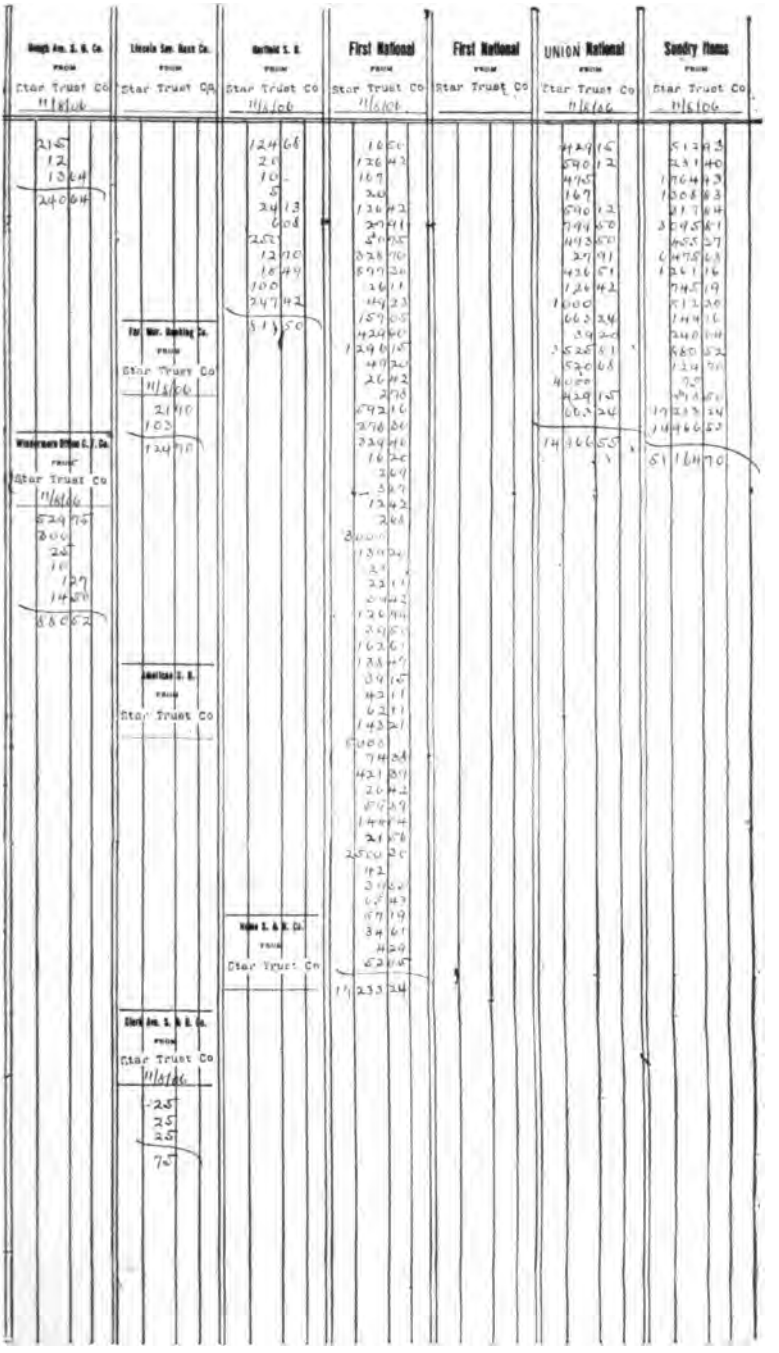


FIG. 203.—CLEARING-HOUSE LIST (Continued).

Digitized by Google

such investments are usually made in the general journal, although some companies use a special investment journal, the general arrangement of which is similar to the loan journal shown in Figure 163, separate columns being provided for Bonds, Stocks and Sundry Investments. The total amount of investments at any time is shown in the investment account or accounts in the general ledger. Sometimes all investments are carried in one account, and sometimes separate accounts are carried for bonds and stocks. The detail of investments should be shown, except in small companies where the number of investments is small, in an investment ledger, which may be either in book or card form. Figure 201 shows the face and Figure 202 the back of a card form for this purpose. The face is devoted to a description of the securities and the ledger account, while the income record appears upon the back. Book records are in use which follow much the same form, the upper part of the page containing the matter shown on the face of the card, and the lower part of the page providing for the income record. These records may be kept, according to local conditions, either by the general bookkeeper, the loan clerk or a junior officer.

Clearing Checks.

Trust companies, not being members of the clearing-houses (except in a few instances, as in Chicago), clear their checks through local national or state banks which are members of the clearing-house, and which act as their agents for that purpose. There are a few instances in which trust companies, having no arrangements for the clearing of checks through the clearing-house, are compelled to collect such items in the old way, by their own messengers. This is the case with those trust companies in New York which have withdrawn from the clearing-house privileges, and with Philadelphia trust companies.

The clearing-house items are listed to the different local banks in the same way that members of the clearing-house list them—on large sheets having columns for the listing of checks under the names of the banks on which they are drawn. Figure 203 shows such a sheet. These sheets are usually bound in book form, and each alternate sheet has perforations between the columns, so that the lists for the different banks may be torn out and delivered with the checks listed thereon. A piece of carbon paper is placed between the first and second sheets, so that one listing of the checks makes two copies. The first sheet remains bound in the book, and is a permanent record of the out-going "clearances." In the last column, headed "Sundry Items," are gathered the totals of all the other lists on the sheet; and this list of totals is sent to the clearing bank with the checks and the separate lists.

Digitized by Google

Collections.

While trust companies do not ordinarily handle the volume of collection business that regular banks do, they find it necessary, if doing a commercial banking business, to take care of such collections as are brought to them by their depositors. For this purpose they do not, however, usually maintain specially equipped collection departments, but handle their out-of-town collections through the banks which act as their representatives in the local clearing-houses. Local collections are sometimes handled in the same way, but more usually are collected by the company's own messengers.

COLLECTION

DATE RECEIVED 1906		OUR No.	ACCOUNT OF	THEIR No. OR DATE OF LETTER	AMOUNT	PAID 1906		RETURNED 1906		DUE 1906	
Nov	9	312 50	John Smith	11/6/06	136 59	Nov	10			St.	
"	9	51	Chas. M. Thompson	212	50			Nov	10	Nov	10
"	9	52	do.	213	1033 25					St	
		53									
		54									
		55									

Fig. 204a.—Collection Register, Left Page.

REGISTER

MAKER OR DRAWER	PAYABLE AT	SENT TO	REMARKS
Black and Brown	1247 Fourth St.	Nat.	
Morton White	201 Washington Ave.	"	Has remitted.
R. E. Rounds	Savannah, Ga.	Phoenix Nat.	

Fig. 204b.—Collection Register, Right Page.

DOMESTIC COLLECTIONS.

Fig. 205.—Register for Local Collections.

As soon as an item for collection is received it is entered on the collection register, and given the number indicated by its entry on the register. There are two general forms of this book, one being designed for "foreign" or out-of-town collections, and the other for local collections. Figure 204 shows a form for the former, and Figure 205 for the latter. In cases where the number of collections is small, or where they are mostly foreign, the use of two forms is unnecessary, that shown in Figure 204 being readily adaptable to both kinds of collections. Sometimes, where the business is very large, a special form of register is used for sight drafts.

Digitized by Google

Time collections should be entered also in a tickler, under their due dates. The tickler may be a card form, such as has already been described (see Figures 24, 25 and 26), or it may be a bound book. Figure 206 shows a common style of collection tickler in book form. It differs little from the discount tickler shown in Figure 195, and the same book may well be used for recording maturities of both discounts and collections.

Having been entered in the register and the tickler, time collections, if local, are placed in the files awaiting presentation for payment at maturity; and if out-of-town, are sent to correspondents for collection if the due date is near, or if the due date is distant are placed in the files until near maturity. Demand collections are collected or sent for collection at once.

COLLECTION TICKLER.

30. THURSDAY, ... 190

No. or Date of Letter	Payer.	Where Payable	To Whom Sent.	For Whom Collected	Amount.	Ck.	Remarks.

FIG. 206.—COLLECTION TICKLER.

THE SUPERIOR TRUST COMPANY

Blank Trust Co., Greenwood, Wis. Nov. 21 — 1906

Chicago, Ill.

We enclose for collection and credit, items as stated below:

ITEMS MARKED X NO PROTEST. DO NOT PROTEST ANY ITEM UNDER TEN DOLLARS.

Number.	DRAWER.	ENDORSER.	PAYER.	AMOUNT.	
4844	A. M. Marsh	B. C. Dodd	1st Nat.	165	14
4865	R. Johnson	Might & Power	5th Nat.	285	
				450	14

FIG. 207.—REMITTANCE LETTER.

LETTERS OF REMITTANCE, ETC.

Trust companies in towns where there is no clearing-house of course collect their local items by messenger. Their out-of-town items, both cash items and collections, are usually collected through their correspondents in clearing-house cities, but in some cases are sent direct to banks located in towns where the items are payable. The letter forms used for listing the items are generally in bound book form, the alternate leaves being perforated so as to be easily torn out. A sheet of carbon paper is inserted under the perforated leaf, so that when it is torn out to be sent with the items listed thereon, the next sheet contains a copy of the letter. These copies remain bound in the book, and furnish a permanent record of remittances, thus serving in place of the old-time

Digitized by Google

remittance register. This plan is an improvement over the old one of having all such letters copied in the letter-press. Figure 207 shows a form of such a letter. If it is used for cash items, the letter starts with the words, "We enclose for collection and credit," as in the figure; if for collections, the word "returns" is substituted for the word "credit" in this sentence. In all other respects the same form serves for the two purposes. Figure 208 shows another form of remittance letter that is being used extensively by the smaller companies. The sheet is perforated along the line shown at the right of the figure, and on the reverse side of the portion of the sheet to the right of the perforation, is printed a duplicate of the matter shown under the heading "Valley Park Trust Company." In listing the items the end of the sheet is folded over along the perforation, so that by the use of carbon paper two copies are obtained of the matter listed under the last two headings, "On" and "Amount." The end of the sheet is then torn off, and serves as the remittance letter. By this plan a complete description of each item is made

Remittance Sheet.

Valley Park Trust Company.

Valley Park, Mo. Nov. 21 1906

The Blank Trust Co.

Springfield, Ill.

We enclose for collection and credit.

Items marked X on protest.

Respectfully,

M. J. Abner Treas.

DATE 1906		NUMBER	DRAWN BY	FAVOR OF	LAST ENDORSER	ON	AMOUNT	
Nov.	21		Wm Thompson	T. R. Morton	Art & Nathan	Union Nat, Springfield	37	48
			Ross & Judd	"	do.	1st " "	755	13
			M. M. Moss		Brown & Co.	1st " "	110	
			do.		do.	1st " "	76	34
			Arthur Runn	R. J. Brown	A. B. March	Star Trust Co. "	50	
							1028	95

FIG. 208.—REMITTANCE LETTER.

for the records, while only the essential part of the matter listed appears on the letter sent to the correspondent. This form may be used either permanently bound or in loose leaves.

Figure 209 shows a form used for reporting on and remitting for collections. Unpaid items are listed at the bottom, as shown in the figure. To each item returned unpaid is attached a slip like that shown in Figure 210, giving the reason for non-payment.

When an item sent for collection is not heard from within a reasonable time, an inquiry is mailed to the bank to which such item was sent. The form—called a "tracer"—used for this purpose is usually printed on a postal card. It is shown in Figure 211.

OFFICIAL CHECKS.

Checks issued by a bank against itself are known as "cashier's checks." Similar checks issued by a trust company are called "official checks" or "treasurer's checks," and, sometimes, "cashier's checks." Fig-

Digitized by Google

ure 212 shows a form of such a check. Sometimes the check is signed only by an officer, and sometimes it is signed by an officer and countersigned by a teller. Record of the issue of official checks may be kept either on the stubs of the check book or on an official check register. The latter is of the same form as the draft register shown in Figure 214, ex-

THE CITY TRUST COMPANY.

POULAN, GA. Nov. 21, 1906

R. A. Smith, Cashier.
St. Louis, Mo.

Dear Sir:
Enclosed find draft as mentioned below in payment of the following collections:
Very Respectfully,

M. A. WILLIAMS, CASHIER.

YOUR NO.	DATE OF LETTER		PAYER	AMOUNT
2147	Nov	15	F. J. Wallonis	163 49
2054	"	11	Brown and White	50
2218	"	17	A. B. Cefilo	127 50
			Total $	340 99
			Less exchange	60
			Amount Draft $	340 39

We return unpaid or accepted items below.

YOUR NO.	DATE OF LETTER		NAME	AMOUNT
2148	Nov.	15	Williams and Franks	100
2162	"	16	J. W. Athers	75 75

FIG. 209.—COLLECTION REPORT AND REMITTANCE LETTER.

Digitized by Google

cept that the columns for exchange are omitted. The ledger account of official checks is kept sometimes on the general and sometimes on the individual ledger. Unless an official check register is used, the ledger account should give the detail of each check issued. It is also well to enter the debits on this account opposite the original credits, as in the case of the certified check ledger account shown in figure 224.

RETURNED
UNPAID
Reason checked, if known.

FROM THE

Central Trust Co.

Jacksonville, Fla.

Check Sent
Has Been Paid
Will Remit
Will Write
As Requested
Refused
Payment Stopped
Never Pays Drafts ✓
Not Correct
No Attention
For Signature
For Endorsement
Not Enough Funds

FIG. 210.—COLLECTION RETURN SLIP.

THE BLANK TRUST COMPANY

Buffalo, N. Y., Nov. 9, 1906.

PLEASE REPORT ON THE FOLLOWING COLLECTIONS:-

No.	Payer	Sent	Due	Amount		
2314	Johnson and Ward	11/2/06	St.		321	40

Respectfully yours,

Brown Smith, Treasurer.

FIG. 211.—COLLECTION TRACER.

OFFICIAL CHECK

THE CITY TRUST COMPANY

Columbus, Ohio, Nov. 21 1906 No 3487

Pay to the order of Brown and Smith $117.25

One hundred and seventeen 25/100 Dollars

John Doe
TREASURER

FIG. 212.—OFFICIAL CHECK.

Digitized by Google

Drafts on Banks and Trust Companies.

Like banks, trust companies find it necessary to keep an account with some bank, banker or trust company in New York city. The larger companies usually have several such accounts in New York and also carry accounts in Chicago and other large cities. It is also customary to carry accounts with one or more local institutions.

Figure 213 shows a common form of draft against such an account. Record of the issue of such drafts is kept in a draft register, a form of which is shown in Figure 214. In large institutions a separate register is kept for each correspondent, or at least for each of the chief correspondents. The smaller institutions often use one register only, assign-

Merchants Savings & Trust Company

Pittsburgh, Pa. October 9, 1904 No.

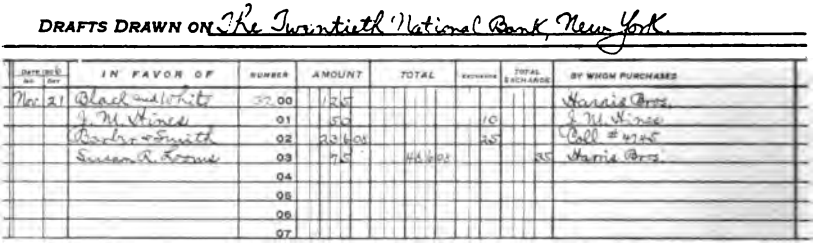
Pay to the order of James M. Hoyt $10.00

Ten Dollars

[illegible] NEW YORK, N.Y.

Richard Roe Cashier

Fig. 213.—New York Draft.


DRAFTS DRAWN ON The Twentieth National Bank, New York.

Date 1904 Mo.	Day	In Favor of	Number	Amount	Total	Exchange	Total Exchange	By Whom Purchased
Nov.	21	Black and White	32 00	125				Harris Bros.
		J. M. Hines	01	50		10		J. M. Hines
		Barber & Smith	02	236 08		25		Coll #4745
		Susan R. Rooms	03	75	486 08		35	Harris Bros.
			04					
			05					
			06					
			07					

Fig. 214.—Draft Register.

ing the necessary number of pages for the drafts drawn on each correspondent. Ledger accounts are of course kept with each bank on which drafts are drawn.

When a customer wishes a draft on New York or other city he makes application to the draft teller, sometimes verbally; but many companies, especially in the larger cities, require that he present his application in writing. Figure 215 gives a form for such an application.

Certificates of Deposit.

Trust companies are often called upon to issue certificates of deposit, which in certain cases are more convenient for the customer or the company, or both, than either a savings or a checking account.

Digitized by Google

These certificates usually draw interest, and are not subject to check. A common form is shown in Figure 216. Interest ceases at maturity, and if the owner of the certificate does not wish the money and wishes interest to continue, he must get a new certificate. Some companies issue special certificates of deposit which bear interest under certain conditions until paid, much like a savings account. Certificates

Form No. 176

THE MERCHANTS' LOAN & TRUST COMPANY.

Chicago, Nov. 21, 1906

Draft on New York wanted

to the order of:

Amos R. Johnson	$250

Purchased by R. M. Jackson

FIG. 215.—APPLICATION FOR DRAFT.

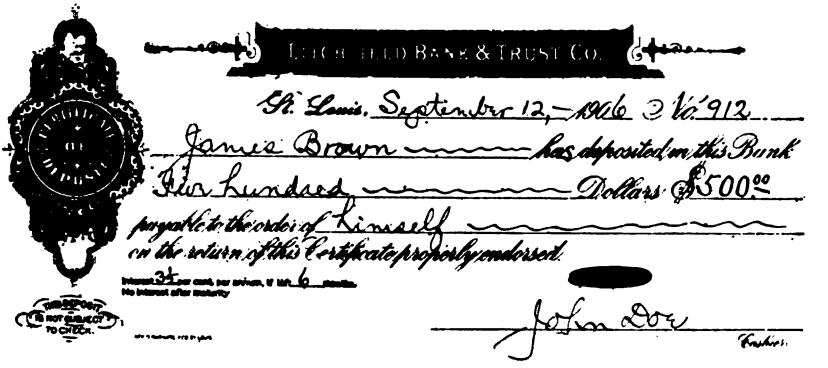


FIG. 216.—CERTIFICATE OF DEPOSIT.

are sometimes issued which do not draw interest; and some certificates are payable on demand, while others are payable on or after a certain date.

If the number of certificates issued is small, the record of their issue is often kept only on the certificate stubs and in the general ledger. It is more common, however, to use a certificate of deposit register. A

Digitized by Google

number of forms of this record are in use, varying in the amount of detail given. The simplest form contains columns for the number of the certificate, date of issue, payee, amount and date of payment. Figure 217 shows a longer form in common use. Figure 218 shows a form of register designed to keep the detail of the account so that the general ledger account need show only the total debits and credits for each day. Whatever form of register be used, the date of payment of each certificate should be promptly entered in the register.

Companies which are partial to the card form of records use cards for the registering of certificates of deposit and show in the general

CERTIFICATE OF DEPOSIT REGISTER.

DATE	DEPOSITED BY	PAYABLE TO THE ORDER OF	NUMBER	AMOUNT	TOTAL	TIME	INT. RATE	AMOUNT OF INTEREST	DATE PAID
	Brought Forward,								
			00						
			01						
			02						
			03						
			04						
			05						
			06						
			07						
			08						
			09						
			10						
			11						

FIG. 217.—CERTIFICATE OF DEPOSIT REGISTER.

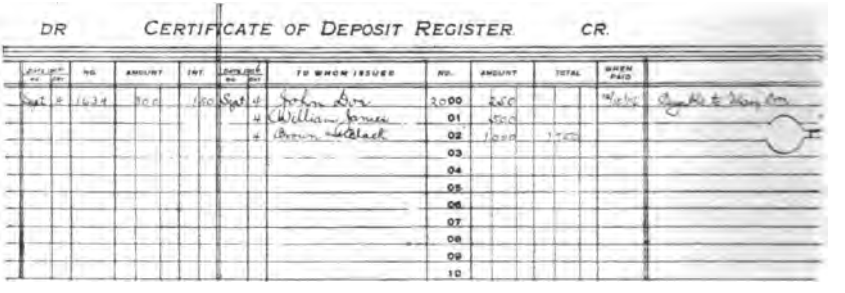


FIG. 218.—CERTIFICATE OF DEPOSIT REGISTER.

journal or the general ledger, or both, the names and numbers of certificates issued and of certificates paid. Figure 219 shows such a card record. The interest record is kept on the back of the card, the headings of the columns being Number, Date, Amount and To, the latter heading referring to the date to which interest is paid. The cards are filed alphabetically according to the names of the payees.

CERTIFIED CHECKS.

Like banks, trust companies are often called upon to certify the checks of depositors, the amount of this work varying with the customs

Digitized by Google

of different communities, and being greater in the large cities. The certification is usually done by the paying teller, but is often delegated to others. In some companies it is done only by an official, and in some cases this duty is performed by the bookkeeper in whose ledger is carried the account whose check is certified. A rubber stamp is generally used for certifying checks, although it is sufficient to write across the face of the check the word "certified," followed by the date and the official

NAME Walter J. Dorn

ADDRESS 2117 Vine St., Cincinnati, O.

Number	Date Issued			Time	Rate	Amount	Date Surrend.		
3458	Apl.	7	1906	4 mos.	4%	650	8	7	06
3784	Aug	7	1906	3 mos.	3%	600			

FIG. 219.—CARD RECORD OF CERTIFICATES OF DEPOSIT.

FIG. 220.—CERTIFIED CHECK.

signature of the person who certifies. Figure 220 shows a check certified by the use of a common form of rubber stamp. Other forms used are "Good when properly endorsed" and, "Accepted; payable through clearing-house;" the latter form recognizing the fact that the certification of the check is equivalent to the acceptance of a draft drawn upon the bank by its customer.

There are two general methods in vogue for keeping account of certified checks. One is by the use of a certified check register, a form

Digitized by Google

of which is shown in Figure 221. The checks are entered on this register as they are certified, and at the close of the day the bookkeeper credits the certified check account with the total amount of checks certified during the day, each separate check being charged on the individual books against the account on which it is drawn. As his authority for such charges to the accounts, the individual bookkeeper receives from the teller who certifies a special debit slip such as is shown in Figure 222. When the checks come in for payment, they are charged on the certified check account, and the date of payment is entered in the last column of the register.

The other method is to dispense with the use of the register, and to keep the detail of checks certified in a special ledger account, such as that shown in Figure 223, or that in Figure 224. In the account shown in Figure 223, both credits and debits are entered in chronological order as received by the bookkeeper, and a check mark is made before each credit item as its corresponding debit is entered, so that the unchecked credits show what certified checks are outstanding at any time. In the account shown in Figure 224, the credits are entered in chronological order, but the debits are entered opposite the original credit of each item, so that the outstanding checks are found by noting what credits have no debit entries opposite them.

Record of Expenses.

It is important that the expenses of a trust company be not only recorded as to the total, which is shown by the general ledger account, but that the distribution of the account for different kinds of expense be shown. For this purpose an expense voucher record, such as that shown in Figure 225, is useful. The left side of the record shows the detail of each voucher, while the remaining part shows the distribution according to different kinds of expense. In a large company having several departments, the distribution by departments is also shown. It is also useful to provide for credits to expense account, which may occur through errors, rebates, etc. Figure 226 shows the right page of a form used by a large company for these two purposes, Figure 225 being the left page of the same form. This record is of course based on the assumption that the voucher system for expense items is used, this practice being a growing one among the best companies.

Various methods of handling the company's payroll are in use. Some companies pay salaries by checks, the endorsements of which provide receipts from all employees. This method is open to the objection that the salary received by each employee becomes a matter of common knowledge, which is often undesirable. The method of paying in cash, and taking receipts on a pay-roll book in which the names of employees are written in alphabetical order for each pay-roll, is open to the same objection, though used by some companies. There are companies which do not consider it necessary to take receipts for salaries. The most sat-

Digitized by Google

DATE	NUMBER	MAKER	TO WHOM PAYABLE	PRESENTED BY	AMOUNT	DAY TOTAL	WHEN PAID
Sept. 8	129	James M. Smith	Roe, Doe & Co.	Payee	1234 18		Sept. 10 06
" 8	1237	Black & Brown	Arthur Fairchild	Third Nat.	5000		Sept. 9 06
" 8	388	W. B. Black	Star Trust Co.	Maker	684 35	6918 53	

FIG. 221.—CERTIFIED CHECK REGISTER.

Charge Acc't James M. Smith $1234.18

CERTIFIED CHECK to order of Roe, Doe and Co.

DATED Sept. 8, 1906 No. 129

Samuel R. Jones Teller

867 10-9-5

FIG. 222.—DEBIT SLIP FOR CHECK CERTIFIED.

Certified Checks

DATE 1906		MEMORANDA	DEBIT		DATE 1906		MEMORANDA	CREDIT	BALANCE
Oct.	12				324 18		James R. Wilson #293		
	12				200	✓	B. S. Magleson #2937		
	12				1000	✓	Black & White #478		1524 18
"	13	B. S. Magleson #2937	200						
"	13	Black & White #478	1000						
"	13				414 40	✓	Ralph Z. Jones		
"	13				157 81		M. M. Moon #116		896 39
"	15	Ralph Z. Jones	414 40						481 99

FIG. 223.—CERTIFIED CHECKS LEDGER ACCOUNT.

Certified Checks

DATE 1906		MEMORANDA	DEBIT		DATE 1906		MEMORANDA	CREDIT	BALANCE
					Oct.	12	James R. Wilson #293	324 18	1524 18
Oct.	13	B. S. Magleson #2937	200			12	B. S. Magleson 2937	200	896 39
	13	Black & White #478	1000			12	Black & White #478	1000	481 99
	15	Ralph Z. Jones	414 40			13	Ralph Z. Jones	414 40	
						13	M. M. Moon 116	157 81	

FIG. 224.—CERTIFIED CHECKS LEDGER ACCOUNT.

Digitized by Google

EXPENSE VOUCHER RECORD.

DATE		VOUCHER No.	IN FAVOR OF	TOTAL	SALARIES	RENT	LIGHT & POWER	SUPPLIES	POSTAGE	EXPRESS	SUNDRY	ADV'G—PAPERS	ADV'G—SPECIAL
Aug.	31	1579	John Doe, Fras. Payroll	3528 42	3528 42								
Sept.	2	1580	Acme Print. Co. bkg. slips	35				35					
	2	153	Postmaster Stamps	100					100				
	2	1582	Brown & Co. St. car adv.	187 50									187 50

FIG. 225.—EXPENSE VOUCHER RECORD.

DEPARTMENT DISTRIBUTION. (EXPENSE RETURNABLE.) CREDIT EXPENSE.

BANKING DEPARTMENT	SAFE DEPOSIT DEPARTMENT	TRUST DEPT.—CORP.	TRUST DEPT.—ESTATES	INVESTMENT DEPARTMENT	GENERAL	BY WHOM PAID	AMOUNT	✓	CREDIT	EXPENSE	DEPARTMENT	DATE PAID
1722 08	210	812 50	982 50		401 34	Acme Pty Co. Overcharge bill 7/20/[illegible]	5		5	Supplies	Bkg.	Aug 4 01
35												
80		2										
100	20	37 50	30									

FIG. 226.—ADDITIONAL RECORD FOR EXPENSE VOUCHERS.

Digitized by Google

isfactory method seems to be to pay in cash, and take receipts in an ordinary journal-ruled book, in which a separate page is devoted to each employee. The book should have an index—preferably a marginal index. At the top of each page are written or printed some such words as these:—"Received from The Blank Trust Company the amounts set opposite my several signatures below, in full payment of my salary to the dates shown." On each line is written the date of the pay-day, and the amount due the employee to such date. It is a convenience to have the pages numbered, and in getting the pay-roll ready for the paying teller, the disbursing officer writes on pay-roll envelopes the page number and the amount due. After the teller has placed in each envelope the amount of cash called for on its face, the disbursing officer may, if he chooses, turn to the pages indicated and write on each envelope the name of the person who is to receive it. This method saves the trouble of preparing for the teller a list of the amounts of each denomination of currency or coin needed for the pay-roll. The disbursing officer simply hands to the paying teller a voucher for the total amount of cash needed, with the envelopes showing the separate amounts.

For customers who wish cash prepared for their pay-rolls, a pay-roll slip like that shown in Figure 227 is provided, on which is shown the amount of each denomination wanted.

Records of the Supply Department.

An important task is that of looking after the supplies of various kinds—records, forms, pens, ink, etc. In the large companies a good many thousands of dollars are expended for such things each year, and a regular department is organized to care for the work. It is necessary to have a sufficient supply of each article always on hand, to buy in quantities that will insure good rates; and yet to avoid loading the expense account for any one year with the cost of supplies for several years ahead. In a small company the problem is comparatively simple, and occasional inventories under the direction of a watchful official are all that is needed. Large companies with several departments require a careful system. The buying is generally done by one of the junior officers, who has charge of the department. Each new form as ordered is given a form number, by which it is thereafter known. When supplies are received from the printer by the supply clerk, he makes a record of same on the left side of the card form shown in Figure 228. The date of receipt, the party from whom purchased, the quantity and the price are shown. These cards are filed in a case, in which sections are set off by index cards for forms of each department and for general forms; and the cards are arranged alphabetically in each section. Supplies are delivered to the various workers only on written requisitions; and from these requisitions record of the

Digitized by Google

The Security Trust Co PAY ROLL SLIP

DATE Sept. 12, 1906

NAME Black and Brown

CURRENCY		
TWENTIES	$ 1000	
TENS	1500	
FIVES	800	
ONES AND TWOS	276	
COIN		
DOLLARS		
HALVES	81	
QUARTERS	47	
DIMES	16	50
NICKELS	5	15
PENNIES		81
TOTAL	$ 3726	46

FIG. 227.—PAYROLL SLIP.

Debit Tickets SAMPLE 97

DISTRIBUTION TO STOCK S L S D T-C T-E I G FROM STOCK FORM No. B 214 SIZE 8 x 3½

Date	Bought of	P'kg's	Each	Quantity	Per M	Cost	Date	To	Quantity	Charged	BALANCE On Hand
9 14 06	X Pkg Co.	10	17M	10 Std	70¢	7 00	9 29 06	J.R.C.	200		9800
							10 5 06	M.J.J.	500		9300

FIG. 228.—RECORD OF SUPPLIES.

Digitized by Google

withdrawal of supplies is made on the record card, Figure 228, on the right side under the heading "From stock." The amount of the supply remaining is shown in the "On hand" column. The records thus show at all times the amount on hand of any given article. They also furnish a basis for estimating the necessary size of orders for the next year. Scrap-books are kept in which are pasted two copies of each new form as issued. The number 97 after the word "sample" at the top of Figure 228 refers to the page in the scrap-book on which samples of the form are pasted.

Digitized by Google

CHAPTER. X.

FORMS AND RECORDS FOR THE SAVINGS DEPARTMENT.

THE savings department has come to be one of the most important departments of trust companies, particularly in communities where the savings banks have not had great development, and in many cases furnishes the largest part of the business. The records of this department are comparatively simple; and since the deposits are not as a rule active, a small clerical force can readily handle a large number of savings accounts.

The forms and records used are practically the same as those employed by the regular savings banks. For a very full treatment of printed savings bank forms, based on samples furnished by savings banks from all over the country, the reader is referred to a compilation of savings bank forms issued in June, 1906, by the Savings Bank Section of The American Bankers' Association.

Opening an Account.

When a person wishes to open a savings account, assuming him to have been properly identified, the first thing necessary is to have him place his signature on the signature card as a means of identification in future transactions. Formerly signature books were used, and there are a few companies which still use them; but the advantages of cards for this purpose are so many that their use is becoming nearly universal. A few companies use both the book and the cards, keeping the former for permanent record, and using the cards for daily business. Figure 230 shows a simple form of signature card, whose size is 3x5 inches. A more elaborate form is shown in Figure 231. The amount of information called for on the card varies greatly, according to the policies of the officers and local circumstances. Besides the signature, the items always included are the address, the number of the account and the date on which the account was opened. Among the other items of information often called for are the following: Both home and business address; occupation; employer's name; age, or date of birth; birthplace; married or unmarried; father's name or mother's name, or both, sometimes the whole name being asked for, and sometimes the first name only; husband's or wife's name; maiden name (if a married woman); native state; nationality; introduced by; source of account; remarks. A few companies require the signature to be witnessed. The majority of signature cards contain a simple agreement like that shown in Figure 230, but a few contain quite elaborate contracts to abide by the rules and regulations, etc., and a few provide no agreement whatever, assuming that the opening of the account and the leaving of the signature

Digitized by Google

imply such agreement. As to the matter of what is needed on the card in the way of information for future identification, it is evident that there is considerable difference of opinion. If the account is an active one, there can be little question about identification. If, however, the account once opened remains dormant for a period of, say, ten years, the signature alone will hardly be a satisfactory means of identification,

7489

I hereby agree to the regulations of
The Blank Trust Co. governing savings accounts.

Sign here Patrick Henry Burns

Address 143 Parnell St.

JAN 9 - 1907

FIG. 230.—SIGNATURE CARD.

I hereby agree to the Rules and By-laws of THE BLANK TRUST COMPANY governing savings accounts. No. 7489

Name Patrick Henry Burns

Address 143 Parnell St.

Occupation Baker Nationality Irish

Birthplace Cork, Inland Birthday Mch. 17 '71

Mother's maiden name Mary Edgworth

Date JAN 9 - 1907 Remarks

FIG. 231.—SIGNATURE CARD.

inasmuch as a person's signature is apt to change materially within a few years. In such cases it is undoubtedly of advantage for the company to be in possession of information of a private character concerning which an outsider is not apt to be posted. In taking the signature of a woman, the teller should always learn whether the title is Miss or Mrs., and note the fact on the card, if the signature itself does not show it.

Digitized by Google

The signature cards are filed in the drawers of a cabinet which is placed where it will be easy of access by the tellers and the savings book-keepers. They may be filed either numerically according to the numbers of the accounts, or alphabetically according to the names of the depositors. If filed alphabetically, they serve as an index to accounts (which otherwise must be provided in a separate book or set of cards), thus saving much time and work. If this plan is adopted, however, great care must be exercised to keep the list always complete, and to remove the cards of closed accounts promptly and place them in a separate file. It often happens that the required signature cannot be obtained at the time the account is opened, and it is therefore necessary, in order to keep the card list complete as an index, to have a temporary card to place in the files until the regular signature card is completed. Figure 232 shows such a "dummy signature card."

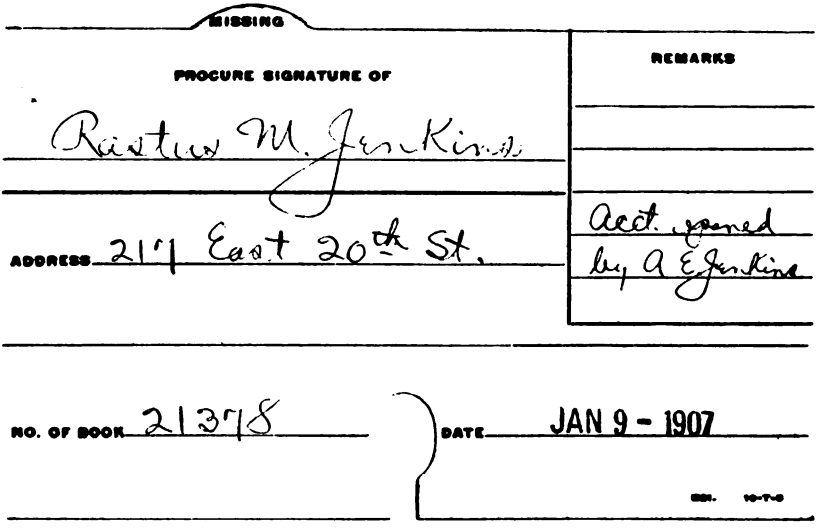


FIG. 232.—DUMMY SIGNATURE CARD.

Savings accounts are often opened in the names of two persons, either of whom is to be permitted to withdraw the funds. In such cases, both signatures must of course appear on the signature card, together with the notation that either may draw. This notation is also placed on the ledger page and on the pass-book. Joint accounts are also opened with the agreement that in case of the death of either of the parties the account is to belong to the survivor.

For the signatures pertaining to such joint accounts, some companies use the ordinary signature card and make upon it the necessary notation, either with pen or with a rubber stamp, while others provide a special card. Some consider that a brief notation answers the purpose, forms used being these: "Subject to the order of either and the survivor"; "joint account"; "to be drawn by either or the survivor"; "either

Digitized by Google

may draw"; "balance at death of either to belong to and be paid to the survivor." Others deem it better to have on the card a more formal contract, such as the following: "We, the undersigned, hereby declare that we are the joint owners, in joint tenancy, of the money that is now, or may hereafter be, deposited in the Blank Trust Company in our joint names, as signed hereto, and of any interest that may accrue or be credited thereto; and that either of us may draw and receipt for the whole or any part thereof, either before or after the death of the other; and that at the death of either of us the survivor shall be the absolute owner of the balance then due the account, as surviving joint tenant, and is hereby authorized to receive the same from said company on his individual check or order therefor." An interesting discussion of the company's liability in the case of such an account, written by Thomas B. Paton, and entitled "Legal Aspects of Payment to Survivor of Joint Account," is found in the proceedings of the Savings Bank Section of the American Bankers' Association for 1906.

When an account is opened in the name of a society or corporation, the signature card must contain the signatures of the officer or officers authorized to draw; and it is necessary also to have a certificate that such officers have been given such authority in due form. The custom with some companies is to take the signatures on a blank signature card which is placed in the regular files, and to have the certificate on a separate form, one of which reads as follows:

"This is to certify that at a ..... meeting of ..... of the .....of ..... held ..... 190 ...., Mr. ....., whose signature appears below, was duly elected ..... of said company, and as such is hereby authorized to draw funds from and to give instructions concerning the account of said company with The Blank Trust Company. This authority to remain in full force until revoked by action of the ..... of said company, and written notice thereof given.

.....

Signature of .....

This certificate must be made by an official other than the person authorized to withdraw funds."

Some companies use a special signature card for these accounts, the signatures usually appearing on the face, and the certificate on the back of the card.

After an account has been opened, it sometimes happens that the owner wishes to give to another person authority to withdraw funds from his account for a time, or perhaps to become permanently a joint owner of the account. In the former case, an order like that shown in Figure

Digitized by Google

233 answers the purpose well. If the account is to be permanently changed to a joint account, many companies prefer to close the old account and open a new one, in regular form; but some provide forms like that in Figure 234, to be signed by the owner of the account authorizing the change.

The Depositor's Pass-Book.

After having filled out the signature card and deposited his funds, the customer is given a pass-book, a common form of the inner pages of

CERTIFICATE OF AUTHORITY TO MOVE INDIVIDUAL OR PARTNERSHIP FUNDS

This is to Certify, THAT George Washington IS AUTHORIZED TO WITHDRAW ALL OR ANY PART OF THE FUNDS NOW OR AT ANY TIME STANDING TO my CREDIT IN my savings ACCOUNT No. 24731 WITH The Blank Trust Co. THIS AUTHORITY TO REMAIN IN FULL FORCE UNTIL WRITTEN NOTICE OF REVOCATION IS RECEIVED BY YOU.

CHICAGO Jan. 9 1907

John R. Doe

SIGNATURE OF PERSON AUTHORIZED.

George Washington.

FIG. 233.—CERTIFICATE OF AUTHORITY TO DRAW FUNDS.

Real Estate Trust Company AUTHORITY FOR JOINT CONTROL

You are hereby Authorized TO ENTER THE NAME OF Walter J. Smith ON MY savings ACCOUNT NO. 23478 WITH YOUR COMPANY, MAKING IT SUBJECT TO our joint CONTROL DURING LIFE OF BOTH, AND THE BALANCE TO BELONG TO AND BE PAYABLE TO THE SURVIVOR IN CASE OF DEATH; REVOCABLE ONLY BY CONSENT OF BOTH PARTIES, IN WRITING, AND UPON PRESENTATION OF THE PASS BOOK.

IN SIGNING ORDERS ON THIS ACCOUNT THE BENEFICIARY MUST ALWAYS INDICATE THE NUMBER OF THE ACCOUNT OR REFER TO THE NAME OF THE PRINCIPAL.

Mrs. Walter J. Smith

BENEFICIARY Walter J. Smith

FIG. 234.—AUTHORITY FOR JOINT CONTROL.

which is shown in Figure 235. Some pass-books have another column for the entry of interest; but the more common custom is to use the form shown in the figure, and either to enter the interest in red ink or use a rubber stamp for the interest entry, as shown in the figure. Where interest in credited semi-annually, as is the usual case, different colored inks are used in stamping the two interest entries for each year; as for example, red ink for the January interest and blue ink for the July interest. Some companies pay interest in April and October. The inner pages of the pass-book are usually cut off along the line above the words "Date," "Withdrawn," etc. in Figure 235, so that the headings of the first and last account pages may be seen, at whatever page the book is opened. The rules and regulations of the company are usually

Digitized by Google

printed on the first or last page or the cover, together with such advertising matter as is deemed best. The depositor's name is often entered on the front cover as well as on the inside of the book; but customers often dislike this, and some companies therefore omit entering the name on the cover.

Usage differs in the matter of requiring savings depositors to fill out deposit slips with their deposits. In some cities all trust companies require such deposit slips, one form of which is shown in Figure 236, Other forms are like the ordinary commercial deposit slip, with the ad-

THIS BOOK MUST NOT BE ALLOWED TO RUN OVER TWO YEARS WITHOUT PRESENTATION FOR INTEREST ENTRIES.

THE WESTERN RESERVE TRUST CO.

IN ACCOUNT WITH

Subject to the Rules and Regulations of the Company.

No. 7445

John Paul Jones

Date 1906		Withdrawn	Deposited	Balance	Date 1907		Withdrawn	Deposited	Balance
Jan.	3		100	100 -	May	2		10	30079
Feb.	1		10	110 -		15		275	30579
Mch.	2		10	120 -	June	1		20	32579
Apl.	2		10	130 -					
May	3		10	140 -					
	10	25		115 -					
June	1		10	125 -					
July 1st	'06	Interest	2 28	127 28					
July	3		10	137 28					
Aug.	1		10	147 28					
	17		125	272 28					
Sept	1		10	282 28					
	28	5		277 28					
Oct	9	20		257 28					
	24	15		242 28					
Dec.	3		10	252 28					
	26		50	302 28					
Jan. 1st	'07	Interest	3 51	305 79					
Jan.	2		5	310 79					
Feb.	1		10	320 79					
	20	300		20 79					

FIG. 235.—SAVINGS PASS BOOK.

dition of the number of the pass-book. In other places the use of deposit slips is entirely done away with, the depositor simply handing his deposit to the teller, who enters it on his deposit journal and on the pass-book.

There is also a difference of usage as to withdrawals from savings accounts, a few companies requiring from the depositor no receipt other than the entry in his pass-book. The usual custom, however, is to require the signing of a savings withdrawal slip or receipt, two forms of which are shown in Figures 237 and 238. Under either plan the pass-book must always be presented when the withdrawal is made. Special forms are often provided for cases in which the withdrawal is for the full

Digitized by Google

amount of the account, these forms differing from those shown chiefly in the addition of some such words as "in full of account" or "being the full amount of deposits and interest on my account."

Form 251

Pass Book No. 3144 1

THE MERCHANTS' LOAN & TRUST CO.

CREDIT SAVINGS ACCOUNT OF

(*Name*) Patrick Henry

Chicago, Jan. 5 1907

PLACE AMOUNTS TO BE DEPOSITED BELOW. ENTER AMOUNT OF MONEY AS ONE ITEM AND EACH CHECK SEPARATELY

	DOLLARS	CENTS
Money		125
Checks		

FIG. 236.—DEPOSIT SLIP FOR SAVINGS ACCOUNT.

FORM 6 C.

WITHDRAWAL SLIP

THE NUMBER IS ON THE COVER OF YOUR BOOK

Book No. 7481

WRITE THE AMOUNT YOU WISH TO DRAW OUT IN PLAIN FIGURES. DOLLARS UNDER THE WORDS "DOLLARS." CENTS UNDER THE WORD "CENTS."

DOLLARS	CENTS
$ 51	24

BRING YOUR BOOK. WE DECLINE TO PAY UNLESS YOU DO.

WRITE HERE THE AMOUNT VERY PLAINLY IN WORDS.

ALWAYS SIGN AS YOU DID AT FIRST.

ST LOUIS, Jan. 5 1907

RECEIVED OF

COMMONWEALTH TRUST COMPANY

SAVINGS DEPARTMENT

Fifty-one and 24/100 DOLLARS

SIGNATURE James E Smith

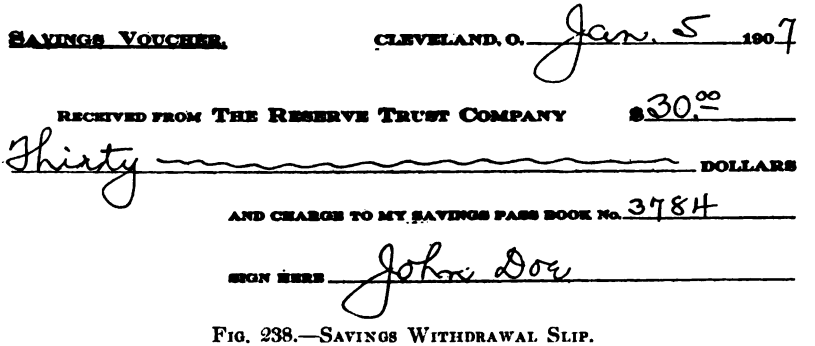
PRESENT ADDRESS

PAID BY | ENTERED BY | SIG. EX. BY | APPROVED BY

FIG. 237.—SAVINGS WITHDRAWAL SLIP.

Digitized by Google

Savings depositors frequently wish to issue orders or checks against their accounts, and this is usually permitted, although care must be exercised lest the account be used as a regular checking account. The forms


SAVINGS VOUCHER. CLEVELAND, O. Jan. 5 1907

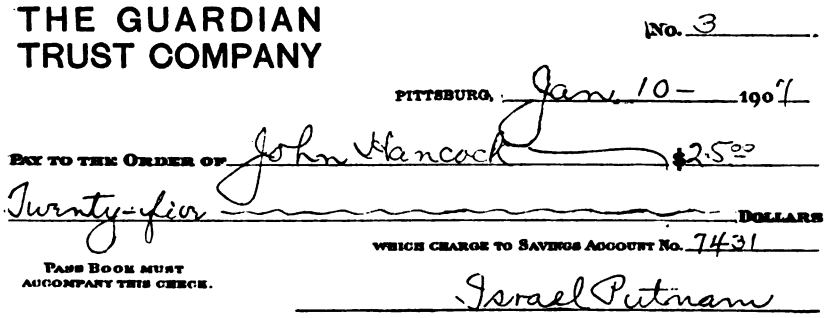
RECEIVED FROM THE RESERVE TRUST COMPANY $30.00

Thirty DOLLARS

AND CHARGE TO MY SAVINGS PASS BOOK No. 3784

SIGN HERE John Doe

FIG. 238.—SAVINGS WITHDRAWAL SLIP.


THE GUARDIAN TRUST COMPANY

No. 3

PITTSBURG, Jan. 10 1907

PAY TO THE ORDER OF John Hancock $25.00

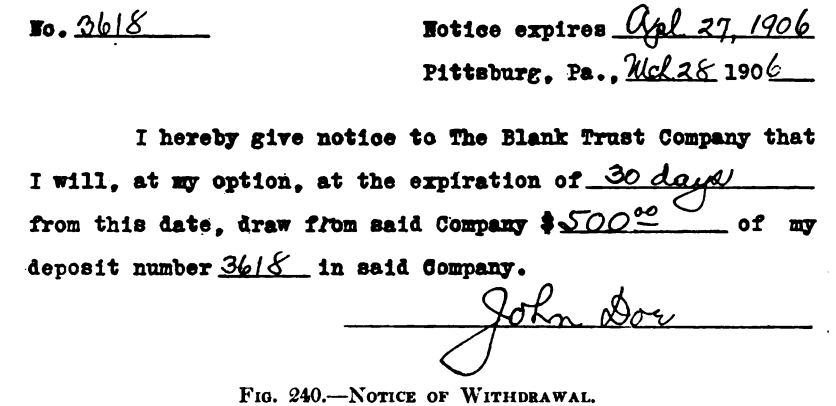
Twenty-five DOLLARS

PASS BOOK MUST ACCOMPANY THIS CHECK.

WHICH CHARGE TO SAVINGS ACCOUNT No. 7431

Israel Putnam

FIG. 239.—CHECK OR ORDER ON SAVINGS ACCOUNT.


No. 3618 Notice expires Apl 27, 1906

Pittsburg, Pa., Mch 28 1906

I hereby give notice to The Blank Trust Company that I will, at my option, at the expiration of 30 days from this date, draw from said Company $500.00 of my deposit number 3618 in said Company.

John Doe

FIG. 240.—NOTICE OF WITHDRAWAL.

used for this purpose are much like an ordinary check, with the addition of the pass-book number and a notation that the "pass-book must accompany this order, unless left at the bank." Figure 239 shows such

Digitized by Google

an order. Some companies provide a special form of order where the withdrawal is for the full amount of the account. It is often required that such orders be witnessed.

The rules of many companies provide that withdrawals from savings accounts may not be made except after written notice, which must be given a certain time in advance. This time varies from ten to ninety days and frequently varies with the amount to be drawn. The notices are filed according to their maturities, and the withdrawal must be made within a certain period (usually ten days or thirty days) after such maturity, or a new notice is required. Figures 240 and 241 show forms used in this connection.

Notice left on book number 1648 for $302.22

at

THE BLANK SAVINGS AND TRUST COMPANY.

This notice is not negotiable, and must be presented by depositor when withdrawal is made.

Date of notice Sept. 5 1906

Payable Oct. 5 1906

Or within ten days thereafter.

FIG. 241.—ACKNOWLEDGMENT OF NOTICE OF WITHDRAWAL.

SAVINGS JOURNAL.

Record of the day's business in savings deposits and withdrawals may be kept by the bookkeeper on journals or scratchers similar to those used for commercial accounts; as for example that shown in Figure 131.

It is more common, however, for the tellers to keep journals of savings deposits and savings withdrawals, entering a memorandum of each transaction as it occurs. Figure 242 shows a form of this record for withdrawals. As will be seen, each entry covers the number of the account, the name of the depositor, amount of the withdrawal (or deposit) and the pass-book balance after the entry of the item, together with any memoranda the teller may wish to make. The addition of the pass-book balance is a valuable feature, making it possible to verify the pass-book balance with that of the ledger without taking the time to consult the ledger for each item at the time of the transaction. The same result may be accomplished, but not so well, by entering the pass-book balance on the deposit slip or the withdrawal slip.

In case the business is small, only one deposit sheet and one withdrawal sheet are used for each day's business, or for several days' business, until the sheet is full. In large companies, however, it is customary

Digitized by Google

to use one sheet for the accounts in each of the several ledgers, or each division of the cards, if card ledgers are used. This is partly for convenience in posting, and partly in order to keep the total deposits and withdrawals for the day in each ledger separate, so that trial balances of each ledger may be kept.

Figure 243 shows another style of savings journal, in which a separate column is provided for entry of the items in each ledger or each subdivision of the cards. The footings of the several columns show the total deposits (or withdrawals, as the case may be) for the day for the different ledgers or card subdivisions.

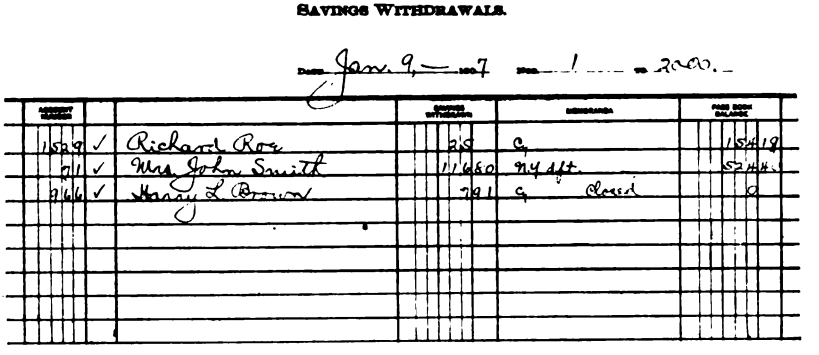


FIG. 242.—SAVINGS WITHDRAWAL JOURNAL.

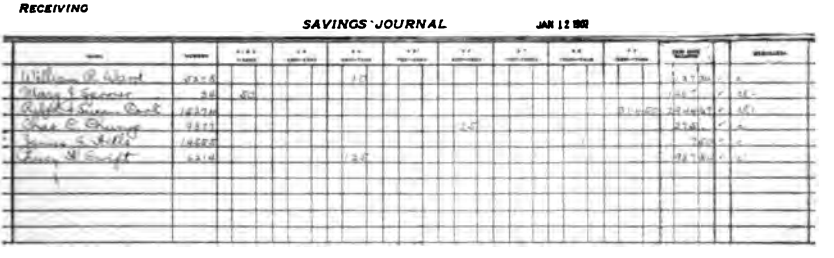


FIG. 243.—SAVINGS DEPOSIT JOURNAL.

Figure 244 shows a record of deposits similar to the form shown in Figure 242, but with the addition of columns for proof of postings. The teller, at the time of the transaction, fills out all the columns to "Pass-Book Balance" inclusive. The bookkeeper posts to the ledgers from this sheet; and, after making the posting, enters, in the columns shown, the old and new balances of each account. In doing this he notes any case in which the new balance shown by the ledger differs from the pass-book balance as entered by the teller. In this way differences between the two books are immediately detected, and the pass-books are called in for rectification. When the posting is completed, the footing of the column showing the amounts of deposits is entered in the "Old Balance"

Digitized by Google

column, and if the postings and extensions are correct, the "Old Balance" and "New Balance" columns should agree in footings. With the withdrawal sheet the process is the same, except that the footing of the amount column is added to the "New Balance" column. In the systems illustrated in figures 242, 243 and 244, the sheets for deposits and with-

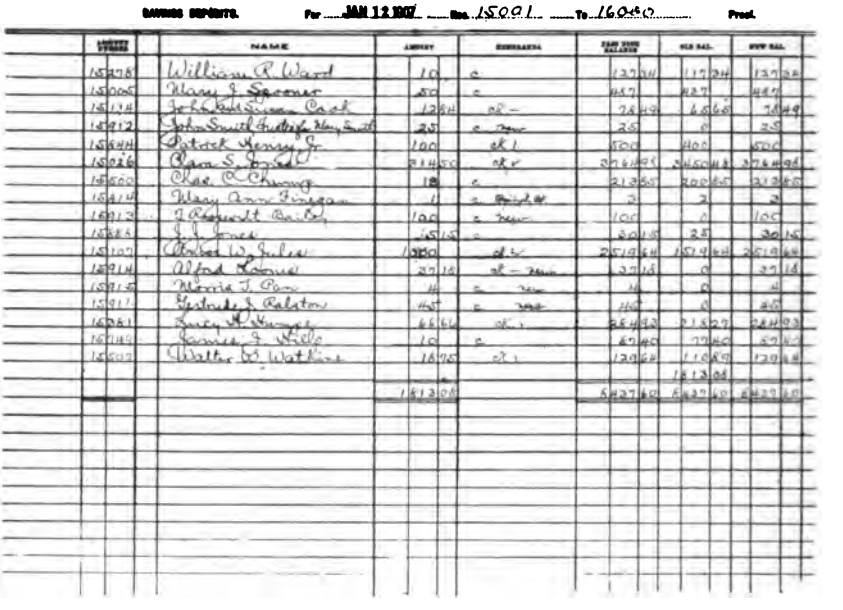


FIG. 244.—SAVINGS JOURNAL, WITH PROOF OF POSTING.

drawals are the same in each set, except for the headings "Savings Deposits" and "Savings Withdrawals" respectively. At the close of each year or each half-year, the sheets should be bound in permanent shape, and filed in the vault.

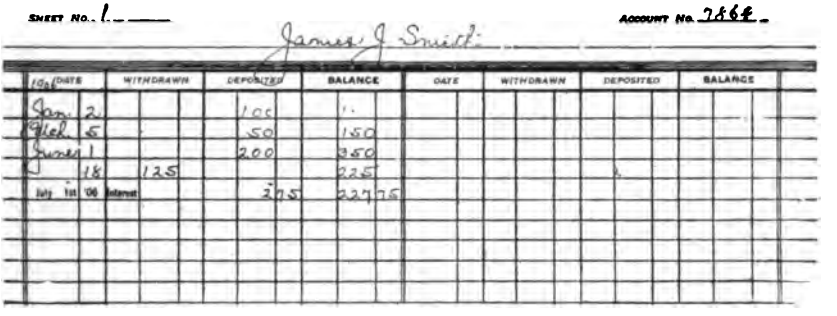
SAVINGS LEDGERS.

The use of bound books for savings ledgers is fast giving way to the use of either loose-leaf ledgers or cards. The disadvantages of bound books for this purpose are many. They soon come to contain many closed accounts. The space assigned for a given account is apt to become filled, so that it is necessary to "carry forward" the account to a new page, or else to close the account and open a new one with a new number—a troublesome process both for the company and for the depositor. Where bound books are used, provision is usually made on each page for more than one account, the number varying from two to eight. The ruling does not differ materially from that used in the loose-leaf and card ledgers here shown.

Figure 245 shows the form of loose-leaf savings ledger that is most commonly used. Its size, including binding space, is 12½x9¼ inches.

Digitized by Google

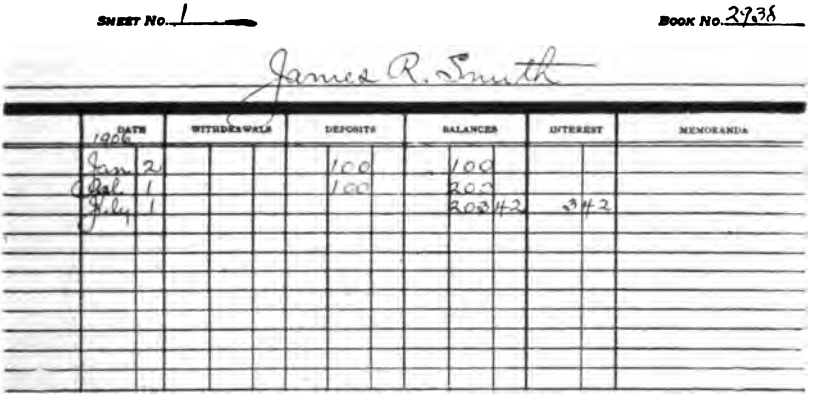
Some companies prefer to have the balance column placed between the debit and credit columns. Whichever plan is adopted, there is a distinct advantage in having the rulings of the pass-books and of the ledgers exactly the same. It is sometimes considered a convenience to provide a separate column for interest entries, as in the form shown in Figure 246. A few companies figure interest on each transaction rather than on the balances, crediting interest to the end of the interest period for each deposit, and charging interest similarly for each withdrawal. In such cases the ledgers are ruled to provide for these interest computa-


SHEET NO. 1 ACCOUNT NO. 7864

James J. Smith

1906 DATE		WITHDRAWN	DEPOSITED	BALANCE	DATE	WITHDRAWN	DEPOSITED	BALANCE
Jan.	2		100	1.				
Feb.	5		50	150				
June	1		200	350				
	18	125		225				
July 1st '06	Interest		275	227 75				

FIG. 245.—LEDGER FOR SAVINGS ACCOUNT.


SHEET NO. 1 BOOK NO. 2938

James R. Smith

1906 DATE		WITHDRAWALS	DEPOSITS	BALANCES	INTEREST	MEMORANDA
Jan.	2		100	100		
Feb.	1		100	200		
July	1			203 42	3 42	

FIG. 246.—SAVINGS LEDGER, WITH INTEREST COLUMN.

tions, the headings of the columns being Date, Interest Balance, Interest Dr., Withdrawals, Interest Cr., Deposits, Balance. The interest balance is kept separate until the end of the period, when it is added to the balance of the account. Some companies have adopted the practice of taking the depositor's signature on the ledger leaf, which also contains other descriptive matter usually found on the signature card. Figure 247 shows a ledger leaf prepared for this purpose.

Card ledgers for savings accounts are extensively used, especially among the larger companies, the form of the card ruling having the same

Digitized by Google

variety as in the case of loose-leaf ledgers. The most common form is shown in Figure 248. The tab at the top of the card shows the last figure of the account number, the position of the tab varying with the figure, that for 1 being at the extreme left, as shown in the figure, and

THE BLANK SAVINGS AND TRUST COMPANY

In account with James J. Smith

Sheet No. 1 Book No. 8769

I hereby agree to the Bylaws, Rules and Regulations of this bank

Sign here James J. Smith

Address 2954 Lakewood Ave. Birthplace Troy, N.Y. Age 25.

Occupation Attorney at law Mother's maiden name Sarah Brown

Date	Withdrawn	Deposited	Balance	Date	Withdrawn	Deposited	Balance
1906 Jan 3		369 84	369 84				
Aug. 21		150	519 84				
Nov. 7	25		494 84				

FIG. 247.—SAVINGS LEDGER, WITH DEPOSITOR'S SIGNATURE.

those for 2, 3, etc., being at measured distances to the right. These tabs are for convenience in picking out the card wanted. The cards are arranged in numerical order, with large index cards for each even hun-

James J. Smith 24471

DATE			WITHDRAWN	DEPOSITED	BALANCE
Jan.	3	'06		100	100
March	5			50	150
June	1			200	350
	18		125		225
July	1st	'06	interest	2 75	227 75
Sept.	1			118 64	346 39
Nov.	16			50	396 39
Dec.	20		20		376 39
Jan.	1st	'07	interest	6 22	382 61
Feb.	1			74 40	457 01

FIG. 248.—SAVINGS LEDGER IN CARD FORM.

Digitized by Google

dred numbers, and smaller index cards for each even ten numbers. For example, the card shown in the figure would follow the index card marked 70, which would appear in its proper order between the large index cards 24,400 and 24,500. The cards are kept sometimes in the drawers of a cabinet, and sometimes in the drawers of a specially-prepared table whose top is made in movable sections, enabling the bookkeeper to place a section just at the side of the card-drawer on which he wishes to work. During the process of posting each card as wanted is removed from the file, the entries and extension are made, and the card is then returned to its place. A proof of posting may be taken in the same manner as that described in connection with Figure 244. A method used for proving the postings on the adding machine is as follows.

SAVINGS LEDGER TRIAL BALANCE

DATE JAN 19 1907

REMARKS	LEDGER NUMBER	DEBIT	CREDIT	BALANCE
	1	118 50	2493 17	191473 66
	2	3544 81	1260	116580 90
	3		100	83555 64
	4	2447 19	5768 78	254796 25
	5	1000	2681 64	151670 50
	6	7784 70	8218 99	108460 01
	7	5166 17	21666 76	95377 82
	8			192656 70
	9	2134 45		144676 54
	10	1240 18	2160 17	1118540 72
	11	1377 66	550	518618 18
	12	2160 54	3899	235615 71
	13	315	6544 90	108550 01
Totals		27289 20	50343 41	3320572 64

FIG. 249.—LEDGER TRIAL-BALANCE PAGE.

Using the journal as a guide, the cards of the accounts active for the day are removed from the files, temporary cards (of different colors for accounts having credits and accounts having debits) being put in their places. After all the cards are removed the balances shown on them are listed on the adding machine. The postings are then made, and a new adding-machine list of balances is taken. To the latter list is added the total of the withdrawals for the day, and to the former list the total of the deposits; whereupon the totals will agree if the work has been done correctly. All of the accounts active for the day may be included in one such proof, or a separate proof may be taken for, say, each five thousand accounts. This will be determined by the method used in the monthly trial balances, which are often taken for each five or ten thousand accounts separately. The object in so doing is to lessen the ground

Digitized by Google

that must be covered in searching for an error, search being necessary only for that group of cards which does not balance. For similar reasons, as already noted, companies which have a number of loose-leaf ledgers keep record of the balance of each ledger separately. This may be done by running in the general ledger a separate account for each of the savings ledgers. A better plan, however, is to keep a daily trial balance of

FORM NO 40

THE CITY TRUST COMPANY.

NEW ORLEANS, Jan. 5 1907

PASS BOOK NO. 3457 IS RETAINED 5 DAYS FOR THE COMPUTATION OF INTEREST.

PLEASE PRESENT THIS TICKET FOR THE RETURN OF SAME.

FIG. 250.—RECEIPT FOR SAVINGS BOOK.

AFFIDAVIT TO LOSS OF PASS BOOK.

State of Ohio, } ss. Before me a Notary Public, in and for said County, personally
CUYAHOGA COUNTY.

appeared John Smith

who being first duly sworn says that he is the owner of a certain savings account with The Cleveland Trust Company, of Cleveland, Ohio, evidenced by PASS BOOK No. 7358, issued by the said company, and is the person named in said pass book; that there is now due him on said pass book the sum of One hundred and ten and 10/100 DOLLARS that the said pass book has been lost, mislaid, stolen or destroyed; and that the said account has not been sold, assigned or pledged to any person whatsoever.

John Smith

SWORN TO before me and in my presence subscribed this 10th day of January 1907.

R. J. Moon Notary Public.

RECEIVED OF The Cleveland Trust Company, this 10th day of January 1907 One hundred and ten and 10/100 DOLLARS ($110.10)

Being the balance due, with interest in full, on the above named savings account, in consideration whereof I hereby agree to fully indemnify the said Trust Company against any loss growing out of or in any way arising from the payment to me of the above sum without presentation of the pass book evidencing said account or by reason of any transfer or assignment of the said account or any interest therein.

John Smith

FIG. 251.—FORM USED WHEN PASS BOOK IS LOST.

the savings ledgers in some such form as that shown in Figure 249. Each day the total debits and the total credits for each ledger, as shown by the savings journals, are entered in the columns shown, and the balance for each ledger is extended. The total of the balances for the several ledgers should equal the total savings deposits, as shown by the general ledger. This form may easily be arranged on the plan of the Boston ledger if desired.

Digitized by Google

At interest-paying periods, pass-books are brought in for the entry of interest. Occasionally the interest is entered while the depositor waits, but it is more common to retain the pass-book for five or ten days, giving the owner a card receipt, such as is shown in Figure 250.

It is not an unusual thing for a depositor to lose his pass-book, and demand payment of the account without presentation of the pass-book. In such cases it is wise to insist upon a thorough search for the book, as it very often happens that it has simply been mislaid, and the depositor finds it when he is made to understand the importance of doing so. If the book cannot be found, the depositor is required to sign an affidavit and receipt, such as that shown in Figure 251, and the account is closed.

Digitized by Google

CHAPTER XI.

FORMS AND RECORDS FOR THE REAL ESTATE DEPARTMENT.

THE Real Estate Department of a trust company undertakes the care, sale, purchase and rental of real estate. Services of this character are often included in the administering of trusts held in the estates division of the trust department—or the individual trust department, as it is sometimes called; and the principal forms needed for the purpose have been shown under the heading "Forms and Records for the Trust Department."

In addition to this real estate business incidental to the administration of their trusts, trust companies often conduct business as regular real estate agents. If the amount of such business is not large, it is usually carried on by the estates division of the trust department. In some localities, however—notably in St. Louis—trust companies are numbered among the leading real estate dealers and agents, and maintain separate and well-equipped departments for the work. Real estate held by estates in the trust department is turned over to this department for management, the trust department becoming a customer of the real estate department as to such property. In such case the fees of this department are a charge against the earnings of the trust department, the charge against the trust estate being the same as if one department handled all the business.

The relation is close also between this department and the loan department so far as concerns real estate mortgage loans, and some companies handle all such loans through this department. The forms needed for this purpose have been given in Figures 177-193.

In the present chapter will be considered the forms needed for a real estate agency business as distinguished from real estate business connected with the administration of trusts.

In Consideration of the MISSISSIPPI VALLEY TRUST COMPANY listing and advertising the within described property, I hereby authorize it to sell said property for

Eight thousand ~~~~~ Dollars,

and agree to pay said Mississippi Valley Trust Company the regular commission established by the St. Louis Real Estate Exchange, 2½% on City property, or 5% on County property, upon the sale of said property at this price, or any other price which I may accept.

This Contract may be revoked anytime after March 15, 1907, by my giving 30 days' notice in writing to said Mississippi Valley Trust Company.

Henry S. Lincoln

FIG. 252.—SALE AGENCY CONTRACT.

Digitized by Google

The department is of course equipped with maps and charts covering the territory in which it operates, files containing memoranda regarding values in different localities, indexes of various kinds described on another page, "For Sale" and "For Rent" signs, files for the keeping of keys, and other necessaries usually included in the equipment of a real estate office. The work is of two somewhat different kinds, the selling and the renting of real estate; and the department is sometimes conducted in two divisions.

Use This Blank in Listing Property

FOR SALE.

St. Louis, Mo., Jan. 15 1907

Owner's Name Henry S. Lincoln

Address 1844 Safe St.

DESCRIPTION.

Street and Number 1844 Safe St.

City Block No. 12 Lot No. 37

Size of Lot 40 x 150 ft.

City Water ✓

Sewer ✓

Gas ✓

Electric Light ✓

Street Graded ✓

" Paved with Brick

Sidewalk Cement

Alley No

Grade Level

Bldg. Restrictions House 30 ft from curb

IMPROVEMENTS.

Dwelling

Built of Brick

Roof Slate

Number Stories 2 and attic.

" Rooms 9

Occupied as

Interior Finish Hardwood throughout

Baths 1 Toilets 2

Reception Hall ✓

Cemented Cellar ✓

How Heated Hot water

Condition of Bldg. Good

Dimensions of Bldg. 28 x 36

Date Building erected 1898

Outhouses Built of

Stable Built of

Lawn, Shade Trees and Shrubbery Well kept lawn. 3 shade trees

Do You Wish SALE BOARD Put Up? No

Price, $8000.00 { Imp. $6000.00 / Ground, $2000.00

Terms ½ cash, bal in 3 yrs.

Annual Rental, $720.00

Mortgage, $ Rate Expires

Taxes, $61.92 Insurance $5000.00 Premium, $25.00

Remarks

ADDITIONAL BLANKS WILL BE FURNISHED ON APPLICATION.

FIG. 253.—DESCRIPTION OF PROPERTY LISTED FOR SALE.

Digitized by Google

When property is listed for sale, the owner signs a contract appointing the company as his agent for the sale. Figure 252 shows a form of this contract, on the back of which, shown in Figure 253, is given the description of the property.

Contract No. 2348 — June 15 — 1907
Street Fairmount Ave. #7505
City Block No. 7 — Lot No. 64
Size of Lot 35 x 155
City Water ✓ — Gas ✓
Electric Light ✓ — Sewer ✓
Street Graded ✓ — Paved with Brick
Walks Cement — Alley No
Grade 2 ft.
Building Restrictions Houses 30 ft. from curb.
Mortgage, $2000.00 — Rate 6 % — Expires June 11, 1908.
Taxes, $53.47
Price, $7000.00 — Per Foot, $40.00
Terms Half down, bal. 3 yrs.
Remarks
Authority
Owner Arthur O Scott — Board
Address 7505 Fairmount Ave. — Received by

FIG. 254.—CARD INDEX OF PROPERTIES.

UNIMPROVED BUSINESS PROPERTY

Location Washington St. — Price $10000.00
Block No. 16 — Lot No. 38
Description 40 x 150 ft. South side of street, 120 feet from cor. 12th St.

Owner James K. Wallace — Date. Jan. 18 1907

LIBRARY BUREAU CHICAGO 65841 P

FIG. 255.—CARD INDEX OF PROPERTIES.

An index is kept of all properties listed, and cards are found most convenient for such an index. The size of the cards is 6 by 4 inches. They are filed alphabetically by names of streets; or if out of the city, by names of towns, townships, etc. Each card contains particulars re-

Digitized by Google

LIBRARY OF THE UNIVERSITY OF CALIFORNIA

garding the property listed on it, so that it is not necessary to look up other records to give an enquirer such information as he may wish before viewing the property. Figure 254 shows a card used for this index. Another form is shown in Figure 255. The latter is one of a set of several cards differing in color, the idea being to use a card of a special color for

LEASE NO.	TERMS	DATE OF LEASE	NAME OF TENANT
378	5 yrs.	3/12 1905	Chas. R. Simpson

OCCUPATION	BUSINESS ADDRESS
Plumber	3714 West St.

PREMISES	LOCATION
Dwelling	189 Thompson St.

RENT BEGINS	AMOUNT	PER	PAYABLE
3/15 1905	$22.00	Month	In advance

OWNER Arthur J. Watkins

REMARKS

FORM RE 1 COMMONWEALTH TRUST COMPANY REAL ESTATE DEPT ST. LOUIS, MO. LIBRARY BUREAU, CHICAGO 67661

FIG. 256.—INDEX OF TENANTS.

TENANTS

Chas. R. Simpson TENANT #374 TRUST

WITH Barson and Co. PHONE W3784

OWNER'S NAME Arthur J. Watkins

LOCATION OF PROPERTY 189 Thompson St.

WATER RENT PAID BY Tenant

INSURANCE PLACED BY Owner

FIG. 257.—INDEX OF TENANTS.

each kind of property listed. The card shown is for "unimproved business property:" others are for "improved business property," "dwellings," "flats and apartments," "suburban and acreage." Cards may also be distinguished from each other conveniently by having tabs at the tops, a certain tab being left on all cards used for listing a given kind of property.

Digitized by Google

OWNER'S INDEX CARD.

Name Arthur J. Watkins

Address 1243 Adams Ave

NUMBER	STREET	KIND	PRICE
1577	Washington	Dwelling	$3000.
481	15th	3 story brick block	15000.
2843	Bronson	Dwelling	5000.
3900	White Ave.	do.	7500.

FIG. 258.—INDEX OF OWNERS.

Name John Doe No. 1375

Address 237 Brown Bldg. Date Jan. 15, 1907

Source of Inquiry Times ad". Taken Care of }

Nature of Inquiry Wants a dwelling, good neighborhood, at about $6000.

DATE 1907		MEMORANDUM
Jan.	20	Looked at #1614 Ralston Ave. Thinks price high. Will see again.

THE GUARDIAN SAVINGS & TRUST COMPANY REAL ESTATE DEPARTMENT

FIG. 259.—INDEX OF INQUIRERS.

Digitized by Google

Figures 256 and 257 show two different forms of cards used for an index of tenants. The sizes of the cards are 3 by 5 and 4 by 6 inches, respectively. They are filed alphabetically.

OFFICE OF

MISSISSIPPI VALLEY TRUST COMPANY.

REAL ESTATE DEPARTMENT.

St. Louis, Mo., Jan. 15 1907

Received of Wallace M. Hanson

the sum of Fifty ~~~~~ DOLLARS,

as earnest money on purchase of a certain parcel of ____ improved property lying in Chy Block No. 8 of the City of St. Louis, having a front of 40 feet on the South side of Princeton Street, and a depth South wardly of 145 feet, described as follows, viz.:

The above described property is this day sold by the undersigned agent, but subject to the approval of the owner thereof, to said Wallace M. Hanson ~~~~~ for the total sum of Fifty thousand ~~~~~ Dollars, payable Three thousand ~~~~~ Dollars in cash, of which the above mentioned earnest money shall be taken as a part, and the remainder of Two thousand ~~~~~ Dollars, payable on or before Jan. 15, 1909 ~~~~~ with interest at Six per cent per annum from date ~~~~~ payable semi-annually, said deferred payments to be secured by first purchase money Deed of Trust on the above mentioned property.

Said property will be conveyed by General Warranty Deed free from liens and incumbrances, except as to general and sprinkling taxes for the year 1906 ~~~~~ and subsequent years and all special taxes levied or assessed during the year 1907 ~~~~~, which the purchaser assumes and agrees to pay; subject also to existing leases now on said property, expiring July 1, 1908

which the purchaser accepts, ~~subject also to Deed of Trust now on said premises for $~~ due

which the purchaser assumes and agrees to pay; subject also to restrictions now on said property, or such as may be imposed thereon by the grantor.

The said purchaser is accorded ten days' time from this date in which to have the title investigated and to close the sale at the office of the **Mississippi Valley Trust Company.**

If, upon examination, the title proves to be defective, and cannot be made good within a reasonable time, the sale shall be off and the earnest money returned, if the purchaser so elects, but otherwise the sale shall stand good and be binding upon purchaser and owner; should title prove to be defective and cannot be made good, as aforesaid, the cost of certificate of title not to exceed Ten ~~~~~ Dollars, will be refunded to said purchaser

Rents, Insurance, Interest on Deed of Trust and Taxes on said property to be prorated to date of closing this sale. Upon the completion of this sale a commission of 2½% is to be paid to the **Mississippi Valley Trust Company** by the vendor.

Time is declared to be the essence of this contract, and if sale is not closed promptly as above provided, then, without any notice whatever, at option of owner of said property, said earnest money hereby receipted for shall be forfeited to said owner as liquidated damages, and said purchaser shall be taken to have waived all right, interest or equity under this contract and in said property, as though this contract had not been made.

SIGNED IN DUPLICATE.

Accepted under above terms and conditions.

Wallace M. Hanson
Purchaser.

MISSISSIPPI VALLEY TRUST COMPANY, Agent.

~~~~~
*Real Estate Officer*

**This receipt to be returned to MISSISSIPPI VALLEY TRUST CO., on closing of purchase.**

FIG. 260.—MEMORANDUM OF SALE.

Digitized by Google
~~~~~

Figure 258 represents a card 4 by 6 inches in size used for an index of owners of property.

A loose-leaf form for a list of inquirers after property is given in Figure 259.

Many companies issue booklets giving a list of the properties which they offer for sale, describing each property briefly and stating the price asked.

...SALE...

Property 1247 Gulliver Ave.

Purchaser L. K. Strauss

Owner Amos Burns

Sold for $4600.00

Earnest Money Paid. $100.00

Balance Cash Payment, $2400.00

Deed of Trust. $2100.00

Date of Sale March 5, 1907

Date of Closing March 12, 1907

Taxes 1906 Paid by Seller

Deed to Mary M. Strauss

Name of Husband ~~or Wife~~ L. K. Strauss

Commission 2½ %. or $115.00

Asst. Agent None

Pay Asst. Agent — %. or $ —

Salesman R. Z. Scott

Salesman will make out sales slip immediately upon effecting sale and hand to Real Estate Officer.

Conveyance Clerk will verify and "OK" immediately upon closing sale and hand to Chief Clerk who will settle with the Assisting Agent and give Salesman proper credit.

FIG. 261.—REPORT OF SALE.

When a customer decides upon the purchase of a property, he pays down a small amount as "earnest money," and is given a receipt or memorandum of sale in such a form as that shown in Figure 260. This is written and signed in duplicate, the company retaining a copy. Upon completion of the sale, if by payment in full, the company delivers to the purchaser the former owner's warranty deed; if by partial payment, the purchaser delivers his note or notes for the balance of the purchase price, together with a mortgage securing same, and receives the warranty deed. In either case an abstract, certificate of title or policy of title insurance is also furnished. Sales are also made under land contract.

Digitized by Google

The employee making a sale fills out and hands to the real estate officer, together with the cash received, a report of such sale on a form like that shown in Figure 261.

St. Louis, Jan. 15 1907

James J. Smith

1363 Finney Ave.

Kindly allow bearer to inspect premises occupied by you, and by so doing oblige, *Very truly yours,*

MISSISSIPPI VALLEY TRUST CO.,

By R. S. T.

FIG. 262.—PERMISSION TO INSPECT PROPERTY.

When the company's agent does not accompany the inquirer to the property which he wishes to inspect, it is convenient to use a card like that represented in Figure 262, addressed to the occupant of the property, or to the party who is locally in charge.

NEW TENANT. Jan. 15 1907

Name James J. Smith

Property Rented 2749 Warren St.

Owner of Property Mrs. Mary Jones

Former Location

Lease From 1/15/07 to 1/15/09

Business Address 354 Third St.

Collect Rent at do.

Rent, $35.00 per Month

Rent Begins 1/15/07 Paid $35.00

FIG. 263.—MEMORANDUM OF NEW TENANT.

REMOVAL. Jan. 15 1907

Name Wallace R. Wart

Property 548 Radway St.

Owner Burt R. Jones

Moved to Peoria, Ill.

Rent per Month $25.00

Amount delinquent, $25.00

FIG. 264.—REMOVAL MEMORANDUM.

Digitized by Google

Property may be rented from month to month without a formal written agreement, or for a specified term under a written lease. Forms of leases vary according to the conditions.

The employee who rents a property hands in for the use of the bookkeeper a memorandum like that in Figure 263. In case of a removal, he uses the form shown in Figure 264.

Ordinary blank forms answer the purpose for receipts for rent, but it is more convenient to have a special form such as that shown with

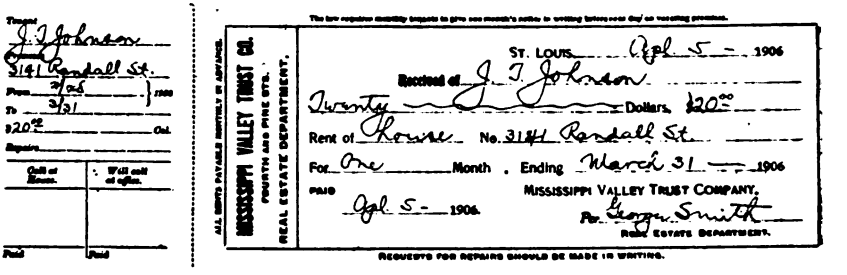


FIG. 265.—RECEIPT FOR RENT.

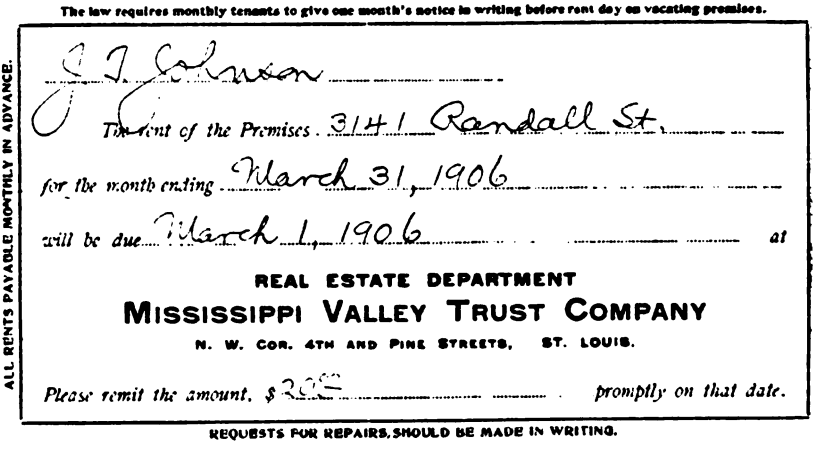


FIG. 266.—RENT NOTICE.

stub in Figure 265. Whenever possible, it is well to get the tenant into the habit of calling at the company's office to pay his rent. Many tenants are willing to do this regularly; thus saving the company the trouble and expense of a special trip for collection, besides bringing them in closer touch with the company, so that they are apt to become customers of the other departments. If it is necessary to send notices of rent due, a form like that shown in Figure 266 is mailed several days before the rent is due. When the rent is delinquent, a notice like that in Figure 267 will often obviate the necessity of legal action.

Digitized by Google

THE GUARDIAN SAVINGS & TRUST CO.
REAL ESTATE DEPARTMENT.

CLEVELAND, O., March 13, 1907

MR. John Smith
777 John St.

PLEASE TAKE NOTICE THAT YOU MUST PAY YOUR DELINQUENT RENT AT THIS OFFICE OR SURRENDER POSSESSION OF PREMISES AT 777 John St. IMMEDIATELY.

YOUR NON-COMPLIANCE HEREWITH WILL NECESSITATE OUR BRINGING ACTION TO SECURE POSSESSION.

THE GUARDIAN SAVINGS & TRUST CO.

1000 2-06. BY X. Z.

FIG. 267.—NOTICE OF DELINQUENT RENT.

THIS REQUISITION MUST BE ATTACHED TO BILL.

No. 902 St. Louis, Mo. Jan. 15 1907

MISSISSIPPI VALLEY TRUST CO.
REAL ESTATE DEPARTMENT.

TO Brown and Co.

Please deliver 15 M Redwood shingles, best grade, at #1036 Ranu St.

and charge to account of John Doe

APPROVED:

Real Estate Department. MISSISSIPPI VALLEY TRUST CO. Agt.

FIG. 268.—REQUISITION FOR SUPPLIES OR REPAIRS.

COMMONWEALTH TRUST COMPANY, ST. LOUIS.
REAL ESTATE DEPARTMENT.

PROPERTY OF Mrs. Susan W. Dennis IN OUR CHARGE

	367 Auteau St.	15	Clingert Chas	
	2960 Plover St.	25	Abrahams Nellie	

FIG. 269.—LIST OF PROPERTY.

45

James R. Smith

LOCATION	TENANT.	RATE PER MO.	NOW PAYABLE.	JANUARY	FEBRUARY
1308 Sherwood Ave.	Wm. M. Brown	30.00	30.00	30.00	30.00
2960 Ave.	Johnson and Co.	12.00	12.00	12.00	12.00
1116 Ave.	Miss J. Reed	8.00	8.00	8.00	8.00

FIG. 270.—RENT-ROLL BOOK.

Digitized by Google

Repairs or supplies for buildings in charge of the department are ordered upon written requisitions like that shown in Figure 268, of which carbon copies are retained by the company.

Figure 269 shows a loose-leaf form used to list properties in charge of the department.

The left-hand page of a "Rent roll book," permanently bound, is shown in Figure 270. The width of the page is 18 inches. The record is continued on the right-hand page of the book, the columns of whihc are headed with the names of the months from March to December, inclusive. This answers the double purpose of a rent book and a list of properties handled for each landlord.

Forms for the record of insurance and taxes on real estate held in the trust department have been shown in Figures 74, 75, 76, 77 and 78. Other forms for such records are shown in Figures 271 and 272.

Figure 273 shows a statement of rents collected. The sheets are arranged in a loose-leaf binder with a duplicate form underneath, so that when the sheet is torn out to send to the customer, a copy of the statement in permanent form is retained.

COMMONWEALTH TRUST CO. REAL ESTATE DEPARTMENT

LANDLORDS' INSURANCE RECORD.

NAME OF ASSURED James J Smart

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
126479	National of N.Y.	748 Mt. Vernon St.	1500	15	3yr	Nov.	25	'08	[illegible]	[illegible]	[illegible]

FIG. 271.—INSURANCE RECORD.

The Tickler or Maturity Index of this department does not differ in principle from those of other departments already described. Either cards or bound books are used, according to preference.

The methods of accounting for this department vary according to the extent of the business, and the tastes of the officers. The general methods already described for the estates division of the trust department are for the most part adapted to the use of this department. Original entries may be made upon debit and credit tickets, such as have been shown in Figures 158 and 159, and from them be entered in the journal, or may be entered at once in an ordinary cash-book. For a journal, the form shown in Figure 274 is convenient. The names of the accounts are entered in the middle column, descriptions of items at the sides. The ledger forms shown in Figures 16 and 17 are convenient for accounts in this department. Ordinary ledger forms are also used.

Forms of rent books have been shown in Figures 70, 71, 72, and in Figure 270. Another form is shown in Figure 275. The top of the page being blank, such memoranda may be entered as the bookkeeper or officer in charge prefers.

Digitized by Google

COMMONWEALTH TRUST COMPANY, ST. LOUIS.
TRUST DEPARTMENT.

NAME_____

DESCRIPTION OF PROPERTY ASSESSED FOR TAXATION. ADDRESS

LINE NO.	BLOCK	STREET	FEET FRONT	FEET DEEP	ADDITION	BLOCK	LOT	ACRES	BOUNDARIES				LINE NO.	REMARKS
									NORTH	EAST	SOUTH	WEST		
1													1	
2													2	
3													3	
4													4	
5													5	
6													6	
7													7	
8													8	

TAXES PAID BY THE COMMONWEALTH TRUST COMPANY.

LINE NO.	YEAR 19____			YEAR 19____			YEAR 19____			YEAR 19____			YEAR 19____			LINE NO.	REMARKS
	ASSESSMENT	GENERAL TAXES	SPECIAL TAXES	ASSESSMENT	GENERAL TAXES	SPECIAL TAXES	ASSESSMENT	GENERAL TAXES	SPECIAL TAXES	ASSESSMENT	GENERAL TAXES	SPECIAL TAXES	ASSESSMENT	GENERAL TAXES	SPECIAL TAXES		
1																1	
2																2	
3																3	
4																4	
5																5	
6																6	
7																7	
8																8	

FIG. 272.—TAX RECORD.

Digitized by Google

RENT COLLECTIONS FOR PROPERTY OF
MADE BY
COMMONWEALTH TRUST COMPANY
REAL ESTATE DEPARTMENT

Mrs. Mary L. Brown
247 Fourth Ave.

FROM Nov. 30 1906 TO Dec. 31 1906 ST. LOUIS. Jan 2 1907

54	Dec 1	Wm Ellis	874 James St.	$25	Nov 30	Dec 31	25	
285		Rollins & Co.	307 7th St.	$225	"	"	225	
171		John Willis	38 Farmer St.	15	"	"	15	
88	5	Chas C Sand	168 Brown St.	22	"	"	22	
							287	

FIG. 273.—STATEMENT OF RENTS COLLECTED.

403

Journal. Tuesday, January 15, 1907.

			S. L. Johnson	Rent 534 Arthur St.	22	
	24 15	Plumbing 1347 Pine St.	R. J. Brown			

FIG. 274.—JOURNAL.

*718 Forest St. - Owned by R. S. Doe.
Tenant James Walson From Apl 1, 1907 to Rent $25 per month

DISBURSEMENTS				RENT RECEIPTS				SUNDRY RECEIPTS	
DATE	ITEMS	SUNDRY	REPAIRS	FROM	TO	AMOUNT	PAID	DATE	AMOUNT
Apl 10	Papering		15 35	Apl 1	Apl 30	25	Mch 30		
				May 1	May 31	25	May 1		
				June 1	June 30		June 2		

FIG. 275.—RENT BOOK.

Digitized by Google

CHAPTER XII.

THE TITLE INSURANCE DEPARTMENT.

LAWS have been enacted in many of the states throughout the country during the past twenty-five years providing that companies may be incorporated for the purpose of guaranteeing or insuring the title to real property and to conduct a mortgage loan and trust company business; the latter, however, being consistent with the powers granted them as such title guarantee or insurance companies. Among the powers of such a company is the right and authority to prepare and furnish bonds, mortgages and other securities and to guarantee the validity and due execution of the same as well as the performance of contracts incident thereto; to make loans for itself or as agent or trustee for others and to guarantee the collection of interest and principal of such loans; to take charge of, sell, mortgage, rent or otherwise dispose of real estate for others, and to perform all the duties of an agent, or trustee, relative to property conveyed or otherwise entrusted to it. Such title guarantee and trust companies have been organized and are doing business in most of our large cities. These companies preliminary to commencing work usually acquire the books or records of local abstract firms, or corporations, as a basis for their future guarantee plants. During the past decade the growth of these companies has been very rapid by reason of their extensive operations resulting from their combined powers. Experience has proven that in the consolidation of the guarantee and trust features better results have been obtained for each; this is very well illustrated in the case of a mortgage loan made by the company; after the loan has been approved and accepted the title to the property to be secured by the mortgage is guaranteed by the company; after which, if desired, the mortgage can be placed upon the market and be handled to better advantage than one not so guaranteed.

In order to fully understand how such companies transact their business in the exercise of their powers enabling them to issue their different forms of policies of title insurance it is necessary to go into detail and explain their procedure.

To begin with the title insurance company owns its abstract plant, built on the most modern and approved plan, consisting of a complete history of the title to all of the real estate in the territory where it does business, including not only a transcript of the deed, mortgage, probate and tax records, but of all other matters of record which may affect the title, such as judgments, decrees, executions, levies and pending suits in any court of record, whether federal, state, county or municipal, including also plats and maps showing partitions, subdivisions, street and alley openings and vacations, etc. The necessity for this is obvious, for in guaranteeing titles the company must be absolutely certain that the ab-

Digitized by Google

stract work is accurate and beyond question, and this can only be accomplished by using a plant over which it has full and complete control and supervision.

In applying for title insurance it is not only customary but the rule to require applicants to fill out printed applications for the same, wherein

Form 1 P. 14045. 5M

No..... CLEVELAND, O. January 4th 1907

The undersigned hereby employs THE GUARANTEE TITLE AND TRUST COMPANY to examine the title to premises hereinafter described, and if it approves of the same, to issue a Policy in its usual form against liens or defects in the sum of Ten Thousand Dollars $10000

For a premium of One hundred Dollars $100

Brief description of premises..... House No. 2077 East 132nd St.	Sub Lot No. 30 in V. C. Leslie's Subdivision of part of original 100 acre Lot No. 491. Map 60 page 3. Cuyahoga County Records 40 feet front on East side East 132nd St. by 120 feet deep.
Premises now owned by.....	John Benson Thomas Address, A. D. Fraser
Estate or interest to be insured.....	Fee Simple
Party to be insured.....	John Benson Thomas Address, The Guarantee Title and Trust Company
By what means and at what time was title vested or to be vested in party to be insured.	1/2 by descent through Estate of S. P. Burke, deceased July 6. 1905. 1/2 by Warranty Deed from A. D. Fraser. Jany. 8. 1907.
Estimate of value, $10000.	Realty, $3000. Improvements, $7000.
Encumbrances and adverse interests, known or rumored, and by whom held or claimed.....	Mortgage of $5000.00 to Chas. F. Laughlin Taxes of 1906

It is agreed that the foregoing statements are true to the best of my knowledge and belief, and are representations on the faith of which said Policy is to be issued.

The applicant hereby agrees that if, before the delivery of the Policy, he or his agent, should have any notice or information as to defects, objections, liens or incumbrances affecting the title to be insured, he will at once fully make known the same to the Company.

The applicant understands that under the Policy to be issued, the Company will not insure against special assessments or liquor taxes, nor the rights and claims of parties in possession not shown of record, nor conveyances, agreements or mechanics' liens not filed or of record at date of issuance of Policy.

The applicant hereby agrees that whenever the Company notifies him that it will issue a Policy, he will accept the same and pay the premium therefor.

If the Company, after examination declines to issue the Policy on account of defects in the title, the applicant agrees to pay the necessary expenses incurred by the Company in making such examination.

John B. Benson Thomas Applicant.

FIG. 276.—APPLICATION FOR GUARANTEE OF TITLE.

are to be found a number of questions relative to the proposed insurance and which are agreed upon to be a warranty of the facts therein contained. Figure 276 shows a form of such application.

It will be observed that the application shown as Figure 276 is intended for an owner's policy; the form for an application for a mortgage,

Digitized by Google

leasehold or any special policy is the same, but the answers to all of the questions relating thereto must be consistent with the estate or interest to be insured.

After the application has been received and accepted by the company an abstract of the title to the property sought to be guaranteed is prepared and submitted to the title officer of the company. If, in his opin-

THE

Guarantee Title and Trust Company,

CLEVELAND, OHIO.

No. 19551. **Policy of Title Insurance.**

THE GUARANTEE TITLE AND TRUST COMPANY, by this policy of insurance, in consideration of the sum of One Hundred 00/100 Dollars ($100.00)

dollars to it paid, insures John Benson Thomas, his

executors, administrators, heirs and devisees, and all other persons to whom this Policy may be transferred with the assent of this Company, testified by the signature of its proper officer endorsed on this policy, against all loss or damage not exceeding—Ten Thousand 00/100 Dollars ($10000.00)

dollars, which the insured shall sustain by reason of defects, or unmarketability of the title of the insured to the estate, mortgage, or interest described in Schedule A, hereto annexed, or because of liens or incumbrances charging the same at the date hereof, excepting only such liens, incumbrances and other matters as are set forth in Schedule B, or excepted by the conditions of this policy hereto annexed, and hereby incorporated into this contract, the loss and the amount to be ascertained in the manner provided in said conditions, and to be payable upon compliance by the insured with the stipulations of said conditions and not otherwise.

This Policy is issued upon application by or on behalf of the insured, numbered 19551, and agreed by all parties claiming hereunder to be a warranty of the facts therein stated.

In Witness Whereof, THE GUARANTEE TITLE AND TRUST COMPANY hath caused its corporate seal to be hereto affixed and these presents to be signed by its President and attested by its Secretary, this Eighth day of January in the year of our Lord one thousand nine hundred and seven, at 3:40 P. M.

President.

Attest: Secretary.

FIG. 277.—TITLE INSURANCE POLICY (first page).

ion, the title is insurable, he directs the issuance of the policy in accordance with the forms shown as Figures 277, 278, 279 and 280. If the owner of the estate to be guaranteed is a corporation, co-partnership or association, the policy would run to it, its successors and assigns, instead of to a person, his or her executors, administrators, heirs and devisees, as shown in Figure 277.

Digitized by Google

Figure 278 shows an absolute or fee simple estate guaranteed. This form is commonly known as an owner's policy and is used as such, and the company's liability thereunder is forever, or until the policy is surrendered and cancelled, in accordance with its conditions.

Policy No. 19551.

SCHEDULE A.

1. The estate or interest of the insured in the premises described below, covered by this policy

Fee Simple.

2. The deed or other means by which the estate or interest covered by this policy is vested in the insured.

An undivided one-half interest in premises described below by Descent through the Estate of S. P. Burke, deceased. Estate administered upon in Cuyahoga County Probate Court, Docket 101, No. 16378. An undivided one-half interest in premises described below by Warranty Deed from A. D. Fraser and Mary A. Fraser, his wife, to John Benson Thomas, dated January 8, 1907, filed for record January 8, 1907, at 3:40 P. M., and being File No. 550,731.

3. The premises in which the insured has the estate or interest covered by this policy.

Situated in the City of Cleveland, County of Cuyahoga and State of Ohio, and known as being SubLot No. 30 in V. C. Leslie's Subdivision of part of original One Hundred Acre Lot No. 491, as shown by the recorded plat in Volume 60 of Maps, Page 3 of Cuyahoga County Records, and being 40 feet front on the Easterly side of E. 132nd Street and extending back of equal width 120 feet deep, as appears by said plat.

Cancelled

FIG. 278.—TITLE INSURANCE POLICY (Continued).

In other forms of Schedule "A" (Figure 278) where the estate or interest insured is for life, term of years or mortgage, Item 1 of the schedule would show the nature of the estate insured and Item 2 would disclose the source by which that estate was vested in the insured.

Digitized by Google

The company's liability under these latter forms of policies ceases upon the death of the life tenant, termination of the leasehold or discharge of the mortgage, respectively.

Other interests or estates, such as rights of way, party walls, restrictions and the like are insurable and the form shown as Figure 278 can be used and fitted to meet these special requirements.

Policy No. 19551.

SCHEDULE B.

This policy does not insure against such estates, interests, defects, objections to title, liens, charges, and incumbrances affecting said premises, or the estate or interest insured, as are set forth below in this schedule.

1: Mortgage from A. D. Fraser and Mary A. Fraser, his wife, and John Benson Thomas, single, to Charles F. Laughlin, for $5000.00, dated November 8, 1906, filed for record November 9, 1906, at 10:35 A. M., and recorded in Volume 2060, Page 31 of Cuyahoga County Records.

2: The Taxes of 1906: The Treasurer's General Tax Duplicate shows $84.34 due.
Special Taxes and Assessments of any kind, if any.

FIG. 279.—TITLE INSURANCE POLICY (Continued).

Figure 279 shows Schedule "B" of the policy. Under this schedule all the defects, liens, incumbrances and objections against which the company does not guarantee or assume any liability are briefly enumerated; however, if the insured desires the objections to be spread in detail upon the schedule it can be done by the company, otherwise resort to the records, for particulars, will have to be made.

The conditions under which the policy is issued are as follows:
Policy No. 19551.

CONDITIONS OF THIS POLICY.

1. THE GUARANTEE TITLE AND TRUST COMPANY will, at its own cost, defend the insured in all actions or proceedings founded on a claim of title or incumbrance prior in date to this Policy and not excepted therein.

2. No claim shall arise under this Policy, except under section 1 of these conditions and except also in the following cases:

(I) Where there has been a final determination in a court of competent jurisdiction, under which the insured may be dispossessed or evicted from the premises covered by this Policy, or from some part or undivided share or interest therein.

(II) Where there has been a final determination, adverse to the title, as insured, in such a court, upon a lien or incumbrance not excepted in this Policy.

(III) Where, in cases of guarantee of the interest of a mortgagee the mortgage has been finally adjudged, by such a court, to be invalid, or ineffectual to charge the premises described in this Policy, or a lien inferior to that designated in this Policy.

(IV) Where the insured shall have transferred the title insured by an instrument containing covenants of title or warranty, and there has been a final judgment rendered in such a court against the insured, his heirs, executors, administrators, or successors on any such covenants or warranty and because of some defect of title or incumbrance not excepted in this Policy.

(V) Where the insured shall have contracted in good faith in writing to sell the insured estate or interest, and the title has been rejected because of some defect or incumbrance not excepted in this Policy, and notice in writing of such rejection shall have been given to this Company within ten days thereafter. For thirty days after receiving such notice, this Company shall have the option of paying the loss, of which the insured must present proper proof, or of maintain-

Digitized by Google

ing or defending either in its own name or at its option in the name of the insured, some proper action or proceeding, begun or to be begun in a court of competent jurisdiction, for the purpose of determining the validity of the objection alleged by the vendee to the title, and only in case a final determination is made in such action or proceeding, sustaining the objection to the title, shall this Company be liable on this Policy.

(VI) Where a purchaser at a sale under the judgment or order of a court of competent jurisdiction has been relieved by the court from a purchase of the insured estate or interest by reason of the existence of some lien, incumbrance or some defect of title not excepted in this Policy.

(VII) Where the insured shall have negotiated a loan on the security of a mortgage on an estate or interest in land insured by this Policy, and the title shall have been rejected by the proposed lender, this Company, if there is no dispute as to the facts, will consent to the submission of the question of the validity of the title, as insured, to the Common Pleas Court for the County in which is situated the property affected by this Policy, and upon the judgment of such court shall then depend the liability of this Company.

3. In case any action or proceeding described in Section 1 of these conditions, is commenced, or in case of the service of any paper or pleading, the object or effect of which shall or may be to impugn, attack or call in question, the validity of the title hereby insured, as insured, or to raise any material question relating to a claim of incumbrance hereby insured against, or to cause any loss or damage for which this Company shall or may be liable under or by virtue of any of the terms of this Policy, or in case any action or proceeding is begun that may have such object or effect, it shall be the duty of the insured to at once notify the Company thereof in writing and secure to it the right to maintain or defend such action or proceeding, and to give all reasonable assistance therein, and permit it to use, at its option, the names of the insured. If such notice shall not be given to the Company within ten days after the service of summons or other process in such action or proceeding, then all liability of this Company in regard to the subject matter of such action or proceeding shall cease. Provided, however, that an assignee for value of the Policy, with the consent of this Company thereon endorsed, shall not be affected by such failure to notify, if such assignee through ignorance of the beginning of any such action or proceeding shall have been unable to give or cause to be given the notice required by these conditions. This Company will pay, in addition to the amount of the loss, all costs imposed on the insured in litigation carried on by it for such party under the requirements of this Policy, but it will in no case be liable for the fees or other charges of any counsel or attorney employed by the insured, and the costs and the loss paid shall not together exceed the amount of this Policy.

4. Whenever the Company shall have settled a claim under this Policy, it shall be entitled to all the rights and remedies which the insured would have had against any other person or property in respect to such claim, had this Policy not been made, and the insured will transfer or will cause to be transferred to the Company such rights, and to permit it to use the name of the insured for the recovery or defense thereof. If the payment does not cover the loss of the insured, the Company shall be subrogated to such proportion of said rights as the amount paid bears to the amount of loss not thereby covered. The insured warrants that such rights of subrogation shall vest in the Company unaffected by any act of the insured.

5. Nothing contained in this Policy shall be construed as a guarantee against defects or incumbrances arising after the date hereof, or created or suffered by the party guaranteed; nor will this Company be liable in any event for loss or damage by reason of liquor taxes; nor by reason of taxes or special assessments which have not been entered upon the County Auditor's Duplicate; nor conveyances, agreements or mechanic's liens, not filed or of record at the date hereof; nor the rights or claims of parties in possession not shown of record.

6. In every case where the liability of this Company has been definitely fixed in accordance with these conditions, the loss or damage shall be payable within thirty days thereafter. Provided, however, that in every case this Company may demand a valuation of the estate or interest insured, to be made by three arbitrators or any two of them, one to be chosen by the insured, and one by this Company, and the two thus chosen selecting the third; whereupon no right of action shall accrue until thirty days after notice of such valuation shall have been served upon this Company, and the insured shall have tendered a conveyance or transfer of the estate or interest insured to a purchaser to be named by this Company, at such valuation, less the amount of any incumbrance on said estate or interest not hereby insured against, and this Company shall have failed within that time, during which said tender shall be kept good, to find a purchaser for the estate or interest upon such terms. And provided, also, that this Company shall always have the right to appeal from any adverse determination; but no appeal shall operate to delay the payment of the loss, if the insured shall give to this Company satisfactory security for the repayment to it of the amount of such loss in case there shall be ultimately a determination in favor of the Company. In every case this Company shall have the option of settling the claim or paying this Policy in full; and the payment or tender of payment to the full amount of this Policy shall determine all liability of the Company under it.

7. Any untrue statement made by the insured or his agent affecting the subject matter of this Policy, or any suppression of any material fact, or any untrue answer by the insured or his agent to material inquiries, before the issuing of the Policy, shall avoid the Policy; but an assignee for value to whom the Policy has been transferred with the consent of the Company endorsed there-

Digitized by Google

on, shall not be affected by any such untrue statements or answers, or by such suppressions or breach of warranty in the application, of which he was ignorant at the time the assent to the transfer to him was endorsed by the Company.

8. All payments under this Policy shall reduce the amount guaranteed pro tanto, and no payment can be demanded without producing the Policy for endorsement of such payment. If the Policy be lost or destroyed, indemnity must be furnished to the satisfaction of the Company.

This Policy Necessarily Relates Solely to the Title Prior to and Including its Date.

Assignments of this Policy must be with the assent of the Company endorsed hereon, and to protect subsequent purchasers against intermediate claims or losses, must be continued to date.

In assenting to assignments no liability is assumed by the Company for defects or incumbrances created subsequent to the date of this Policy.

ASSIGNMENTS OF POLICY.

Cleveland, Ohio, April 16, 1907, For Value Received I hereby assign all interest in this Policy to Eva M. Hubbard.

John Brown Thomas

Assented to April 16, 1907 subject to foregoing conditions.

THE GUARANTEE TITLE AND TRUST CO.

By W. Caldwell Secretary.

Cancelled

Cleveland, 19 For Value Received hereby assign all interest in this Policy to

Assented to 19 subject to foregoing conditions.

THE GUARANTEE TITLE AND TRUST CO.

By

Cleveland, Ohio, January 8, 1907.
Loss, if any, payable to Charles F. Laughlin, Mortgagee, as his interest may appear.

THE GUARANTEE TITLE AND TRUST CO.

By W. Caldwell Secretary.

Cleveland, 19
Loss, if any, payable to , Mortgagee, as
interest may appear.

THE GUARANTEE TITLE AND TRUST CO.

By

FIG. 280.—TITLE INSURANCE POLICY (Continued).

Sometimes the applicant for insurance requests the company to issue the policy in the name of his grantee of record, instead of having the policy issued in his own name, which request is usually granted and also if the request be made by such grantee that the company eliminate from the form shown as Figure 277 the words "This policy is issued upon application by or on behalf of the insured numbered —— and agreed by all parties claiming hereunder to be a warranty of the facts therein

Digitized by Google

stated," as well as paragraph 7 of the conditions of the policy above shown, such request can be granted.

In the form shown as Figure 277 provision is made to insure the assignee provided the policy is transferred with the consent of the company, which consent must be testified to by the signature of the proper officers endorsed on the policy. The forms of the assignment of the policy are shown as Figure 280.

THE

Guarantee Title and Trust Company,

OF OHIO.

EXTENSION OF

No. 28615.

Policy of Title Insurance.

THE GUARANTEE TITLE AND TRUST COMPANY, by this Extension Policy of Title Insurance, in consideration of the sum of —— Five 00/100 —— Dollars ($ 5.00) extends its obligations under Policy of Title Insurance No. 19551, to which this is attached, according to all the terms, exceptions, stipulations and conditions of said policy, but not as against the additional matters set forth below. ——

1: Judgment for $100.00 damages and $10.13 costs, with interest, against J. B. Thomas, rendered January Term 1907, in case of W. J. Bower against J. B. Thomas and others, No. 130,625, Execution Docket 150, Page 71 in Cuyahoga County Court of Common Pleas. ——

2: The Taxes of 1907.
Special Taxes and Assessments of any kind, if any. ——

In Witness Whereof, THE GUARANTEE TITLE AND TRUST COMPANY hath caused its corporate seal to be hereto affixed and these presents to be signed by its President and attested by its Assistant Secretary, this Seventh —— day of — March ——— in the year of our Lord one thousand nine hundred and seven, at 4:01 P. M. ——

President.

Attest:

Ass't Secretary

FIG. 281.—EXTENSION OF POLICY.

In assenting to such assignments no liability is assumed for defects, liens or incumbrances created subsequent to the date of the policy.

It very frequently happens that the owners of policies, other than that of a mortgage policy, desire that the original policy be extended to cover a subsequent date. This can be done by either of two methods:

Digitized by Google

First—By attaching the form shown as Figure 281 to the original policy, if there has been no change in the ownership of the title, and

Second—If there has been a change in the title, to cancel and surrender the original policy and substitute, in lieu thereof, a new policy in the name of the new owner with all the attending objections as would necessarily be shown in Schedule "B" the form of which is shown as Figure 279, provided, however, that in either of these two cases nothing has been done to avoid the original policy.

A mortgage policy can not be extended for the reason that the guarantee or liability thereunder is limited, the company guaranteeing the mort-

Cleveland, Ohio, April Twentieth 1907.

WHEREAS, Policy of Title Insurance No. 19551 and Extension thereof No. 28615, guaranteeing the title to Sublot No. 30 in V. C. Leslie's Subdivision of part of original One Hundred Acre Lot No. 491, as shown by the recorded plat in Volume 60 of Maps, Page 3 Cuyahoga County Records, issued by THE GUARANTEE TITLE AND TRUST COMPANY, January 8th, 1907 and March 7th, 1907 respectively, have been mislaid or lost;

NOW THEREFORE, in consideration of THE GUARANTEE TITLE AND TRUST COMPANY having re-issued said Policy of Title Insurance No. 19551 and Extension thereof No. 28615, under Policy No. 30506 and delivered the same to Charles F Laughlin, we hereby waive all right, title and claim, which we or either of us may have in, to and under said Policy No. 19551 and Extension thereof No. 28615, and do hereby promise and agree to return said Policy and Extension so mislaid or lost to said THE GUARANTEE TITLE AND TRUST COMPANY for surrender and cancellation, should the same ever come into our possession.

Eva M. Hubbard

Chas. F. Laughlin

FIG. 282.—RELEASE OF CLAIM.

gage to be a first lien on the premises secured by the mortgage at the date of record, except what might be spread upon Schedule "B" shown as Figure 279.

It may be well to note that in the event of loss, destruction or mutilation of a policy, the company will, upon satisfactory proof thereof, issue a duplicate of the original policy provided the insured will waive or release all his or their right, title and claim in, to and under the original policy. For form of such release see Figure 282.

Carbon copies of all policies, and their assignments, issued and assented to by the company, are preserved, and a record of all such policies

Digitized by Google

and assignments is kept in a book especially made and provided for that purpose, termed a "Policy Register," a copy of which is shown as Figure 283.

Figure 283 completes the list of forms used in the issuance of policies of title insurance, and the last thing now to be considered is the worth and value of title insurance as a means of security and protection to the party guaranteed under the contract with the company, which contract may be defined to be an agreement whereby the insurer, for a valuable consideration, agrees to indemnify the insured in a specified amount against loss through defects of title to real estate wherein the latter has an interest, either as owner or otherwise, and against liens and incumbrances charging the same, there being, however, no implied agreement on the company's part to go beyond the conditions of the title existing at the time the policy is issued or to assume a general liability to indemnify against future liens or incumbrances.

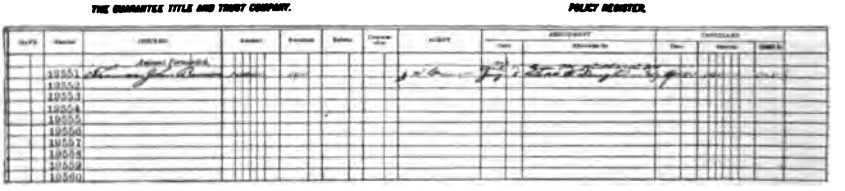

THE GUARANTEE TITLE AND TRUST COMPANY. POLICY REGISTER.

FIG. 283.—POLICY REGISTER.

The form and method of such protection is governed by the law of the state where the land is located, the title to which is guaranteed.

In some localities, before a company can issue its policies, it must deposit with the proper state officials sufficient collateral to guarantee and protect the policy holders against loss which they may sustain in the nonperformance of the company's contracts of title insurance with them.

The deposit required for such protection, as above, may consist of gold coin, United States bonds, state securities, stocks, first mortgage loans on real estate and other approved securities, the amount and nature of which are regulated entirely by state legislation.

In addition to this, further protection is afforded by the capital stock and assets of the company.

With this kind of assurance a policy holder may feel fully protected in his investment or guarantee.

Digitized by Google

CHAPTER XIII.

METHODS OF INCREASING BUSINESS.

CONTRARY to the conditions a few years ago, a consideration of methods of increasing the business of a bank or of a trust company at once suggests the subject of advertising. The dignity of the profession no longer forbids advertising, although success in such advertising still demands dignity.

The successful trust companies of to-day advertise. Their advertisements are not the formal and unattractive cards of former years, nor are they of the cheap and flaring style of the circus poster. Advertising, in the ordinary signification of the word, is of course not the only means used by progressive companies for increasing their business, but it is now firmly established as one of the important means. The change in attitude regarding the expediency of trust company or bank advertising has come in part through the necessity imposed by keen competition, in part through a more intelligent consideration of the ethics of the bank advertising question. It has come, too, as part of a general progress in the art of advertising. Without question the people read advertisements far more than formerly. Partly as a cause and partly as a result of this, present day advertisements are more readable. The importance of the advertising column or page has increased, and its quality has improved.

Reasons Why a Trust Company Should Advertise.

The reasons for advertising on the part of a trust company are more numerous and more forceful than those for advertisements on the part of a bank. Aside from the fact that competition makes it, in most localities, fairly a necessity if the company wishes to grow, there are the facts that the trust company has a much wider scope and more features to advertise than has the bank, and that the trust company is still a new institution, whose functions are little understood by the people at large. Comparatively few, indeed, understand exactly what a bank can do for its customers; and fewer still what services a trust company can render. In the education of the public as to the extent and the variety of the trust company's functions, there is virgin soil for cultivation by the advertiser.

There is also a fruitful field for the advertising trust company in the seeking of deposits from people who have never had bank accounts. Nearly everybody has at least a little money, but less than a majority of the people have money on deposit.

It follows that some of the advertising of the trust company must be of the "educational" kind; i. e., must be devoted to explaining what a trust company is, and how it can be used, and to inculcating habits of saving and thrift among the people. The results of such advertising will help the business of other companies as well as that of the advertiser.

Digitized by Google

Short-sighted, however, would be a policy of refraining entirely from such publicity because of this fact. In the end its effect upon the business of the advertiser, as well as upon the business in general, must be beneficial. The recently formed "Banking Publicity Association" is doing a good work in seeking to distribute the burden of this educational advertising.

The economic effects of this form of publicity by banks and trust companies are of more than passing interest. The principles of economy, thrift, self-denial, abstinence from extravagance are instilled into the minds of the people. In this respect, financial institutions are doing for the present generation what Benjamin Franklin did for his. The evil effects of get-rich-quick and other fake schemes are in part counteracted. Money hidden away in the traditional stocking is brought into circulation and use, thereby increasing the available capital of the general public. The field for robbery and exploitation is narrowed.

Direct or Individual Advertising.

General writers on the subject of advertising divide it into two classes—general advertising and direct advertising. The former is designed to create a demand for the product; the latter, to make sales direct from the advertiser to the consumer. In financial publicity the corresponding classes are educational and individual advertising. Both are intended to increase the business of the advertiser, but it is evident that the latter will, under favorable conditions, produce this result the more directly. However, it is an art which requires skill and tact. Its expediency is no longer questioned by the majority of bank and trust company officials; yet it is a kind of advertising which must be conducted along lines somewhat more conservative than are proper for other kinds of business. It need not and should not be unattractive and lifeless; but it must not be in any way cheap or sensational. In the minds of some of the people there doubtless lingers some question regarding the propriety of a bank advertising for business. A too strenuous bid for deposits may easily suggest that the company is badly in need of funds, and so tear down rather than build up the business. Above all, trust company advertising must be thoroughly honest and straightforward.

Management of Advertising.

The larger companies maintain an advertising department, in charge of a man specially qualified for the work, and with a corps of stenographers or other assistants. The man in charge is given various titles by different companies—Advertising Manager, Manager of Publicity, Advertising Agent. He should have not only natural qualifications for the work, but also a special training; for advertising is a science the mastery of whose principles and details requires careful study. The advertising manager must understand human nature, possess common sense, be a master of good plain English and have the knack of stating things in clear, concise, attractive and convincing manner. A practical training in bank or trust company work is desirable, and in any event he must thor-

Digitized by Google

oughly understand the essential points of the trust company business. He should have a working knowledge of the printer's art, know something of type faces and sizes, of engraving processes, of electrotyping, of qualities and prices of papers, understand the principles of display, know how to read and correct proof, and be familiar with mediums of advertising.

Sometimes the advertising manager acts also as Auditor or as Purchasing Agent. Frequently in smaller companies one of the regular officers is detailed for this work as a part of his duties. In any case, the work should be in charge of one man who makes it his business to attend to it. If left to be looked after by any one of the officers who may happen to think of it, as is the practice in some companies, the inevitable result is advertising of a spasmodic and ineffective kind.

In small companies, having but one active officer, the advertising will of course be one of the many duties of that officer, but a duty which he must attend to systematically if his institution is to grow.

The records of the advertising department are simple, and few in number, but should be devised and kept with care. Samples should be kept of all advertising matter issued, scrap-books being provided for advertisements appearing in periodicals, follow-up letters, etc., and files for circulars, booklets and novelties. A diary or journal should be kept, showing what advertising matter is sent to persons on the advertising lists, and when sent, and recording any matters about which it may in the future be essential to have exact information. A record of results of advertising campaigns is desirable, and to this record the other departments of the company will need to contribute lists of new accounts, new trusts, new safe deposits renters, etc., traceable to advertising. The department needs a Tickler, cards being most convenient for the purpose.

The advertising lists are kept on cards, of which two forms are shown in Figures 284 and 285, the cards being arranged alphabetically in cases or drawers of cabinets. It is usually desirable to have separate lists of different classes of people, and this may of course be done by having the cards for each list filed in a separate case. Often also it is best to have separate lists of the "prospects" of each department. The division into classes may still be maintained when all the cards are filed together alphabetically, either by using different colored cards for the different classes, or by using tabs at the tops of the cards, as shown in Figure 284,—all the tabs being cut off each card except the one wanted. A more elaborate classification may be obtained by a combination of the two methods, using cards with tabs, printed in different colors. The filing of all the cards in one list is a protection against duplication of names, which should be carefully avoided.

In Figure 284, the consecutive numbers at the bottom of the card refer to the advertising matter sent to the person named on the card, the scrap-books or diaries showing what was included, for instance, in advertising matter number 5. When the matter is mailed, either a check-mark or the date is inserted in the little square which shows the corre-

Digitized by Google

sponding number. The provision for 94 numbers on the card does not mean that so many advertisements are apt to be sent to each "prospect"; but a given person may receive Nos. 2, 5, 7, etc. Space is left at the right of the card for a record of letters sent to or received from the "prospect", and additional memoranda may be made on the back of the card. Figure 285 is self-explanatory. The record on the lower half of the card is continued on the back. The size of the cards is 3x5 inches.

The preparation of mailing lists is a laborious and important part of the work, and should be handled with great care to select the names judiciously, to have the names and addresses correct, and to recognize the cards of those who become customers or whose mail is not delivered. The sources from which the lists may be compiled include lists of members of clubs, societies, organizations, churches, women's clubs, mercan-

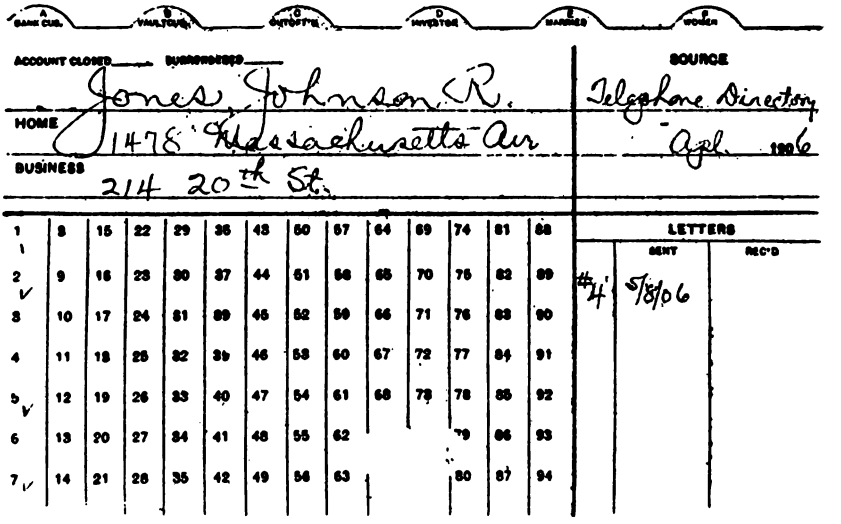


FIG. 284.

tile agency registers, city and telephone directories, voters' lists, lists of teachers, policemen, firemen, attorneys, business houses, permanent residents of hotels and apartment houses, post office and rural free delivery lists when obtainable, acquaintances of directors, officers and employees, persons who answer advertisements. One company when starting business in New York city employed men to go through the city directory and compile selected lists of names. Special or temporary lists of various kinds are made up from time to time as occasion arises.

PLANNING AN ADVERTISING CAMPAIGN.

The best results are obtained by carefully planning in advance the main features of the advertising campaign for the year. A definite sum should be available for the purpose, but should not be exhausted by the plans made at the start—a sufficient amount being left for emergencies.

Digitized by Google

Too much must not be expected in the way of immediate results; and, indeed, although effort should be made to form an estimate of the amount of business that comes through the advertising, it must be recognized that it is utterly impossible to weigh such results with exactness.

The plans should provide for advertising that is continuous and persistent, remembering that it is *constant* dropping that wears away stone, and persistent advertising that brings business. Little result is to be expected from spasmodic and irregular advertising; it lacks in force and in cumulative effect. Continuous and systematic publicity stamps upon the minds of the public the name of the company and the inducements which it offers. The man who sees the advertisement of a given trust company daily comes to feel that he is acquainted with it and knows its strength and facilities. Another thing that argues for having advertise-

Name John R. Doe
Address 1734 East 39th St
Business Blacksmith
Remarks Owner of several houses

DATE	Ad. matter sent	Remarks
7 18 06	#16	
10 15 06	#21	Reply. 10/24/06.
10 24 06	Personal letter	Opened acct. 11/4/06.

FIG. 285.

ments always before the public is the fact that people are earning money every day, and either saving or spending it.

There is an advantage in adopting a suitable emblem, analogous to a trademark, to appear in all the company's advertising, including newspaper and magazine advertisements, circulars and stationery. Such emblems are in use, with marked success, by a number of prominent banks and trust companies. The emblem may be a neat picture of the company's building, a distinctive style of type, a simple design suggesting the name or location of the company; or it may be an attractive design selected arbitrarily. Its use tends to give individuality to the advertising and to familiarize readers with the advertiser's name and business. In the use of emblems, however, care should be used lest all advertisements appear too much alike, thus causing the reader to pass them by with the idea that he has already read them.

It should be a part of the plan to use only good qualities in everything —paper, printing, illustrations, etc. A circular well printed on good

Digitized by Google

paper costs no more for postage if sent by mail than a cheap circular; while its possibilities for good are immeasurably greater. The public instinctively associates cheap advertising with second-rate concerns.

Mediums of Advertising.

An important part of the plan of campaign is the selection of mediums. Nothing illustrates more forcibly the change that has taken place in the matter of financial advertising than the number of different mediums, good and bad, which are to-day used for advertising banks and trust companies. Among them are:

Newspapers, daily and weekly.
Magazines and illustrated weeklies.
Financial periodicals.
Circulars, booklets, statements, cards, monthly papers.
Pay-roll envelopes.
Personal and form letters.
Cards in street-cars and suburban cars.
Window exhibits.
Signs, electric and other, on the building.
Bill-boards and other forms of out-door advertisements.
Calendars, blotters, wallets and other novelties and souvenirs.

Newspapers.

Experts in financial advertising seem practically agreed that for local business the daily newspaper (or the weekly newspaper in small towns having no daily) is the best single medium of advertising, because it reaches more people at a less cost per capita than any other medium, and because it is the place that people expect to find the advertisements of all live concerns. They are also agreed that newspaper advertisements must be supplemented by circulars and booklets. As to the proper proportions of the two mediums opinion is not so unanimous, and the question is largely affected by local conditions.

In cities where there are several daily papers, it is important to select the right ones. The important considerations are, a wide circulation and the reaching of the class or classes of people from whom business is desired. Frequently it is wise to use all of the local papers. As between morning and evening papers, the latter have the advantage of being more apt to be taken home and to be read by all members of the family. Oft-times it is useful to advertise in papers published in German or other foreign language, being careful to have the advertisement written in the same language as the reading matter of the paper.

The frequency of the advertisements in each paper will depend largely upon the number of papers used. A common practice is to have the advertisement appear two or three times a week in each paper. The space used is generally two, three or four inches, although much larger spaces are occasionally employed.

Circulars and Booklets.

Circulars and descriptive booklets are being issued in great profusion by trust companies all over the country. Their usefulness is unques-

Digitized by Google

tioned, but its degree depends upon several things, among them being the familiarity which the people have with such literature. It is evident, for instance, that a given booklet will attract more attention in communities where such things are novelties than it will where every trust company has been issuing them for years. In the latter case, the law of the survival of the fittest is more in evidence.

It is customary to have one booklet treating briefly of all the departments of the company, and one booklet on each of the departments—banking, savings, trust, safe deposit, bond, foreign exchange, real estate, etc. In addition, circulars are often prepared, each of which treats of some one function, or one aspect of a function, of the company; e. g., trustee, executor or administrator, guardian, agent, registrar, collections, wills, management of real estate, savings accounts, checking accounts, safe deposit, storage of silverware, storage of furs, letters of credit, interest on accounts. Educative ideas like the value of the habit of saving furnish the subjects of many little booklets. Circulars are issued directed to special classes of people—young men, teachers, firemen, policemen, farmers, actors, married women, working girls, foreigners—circulars for the last-named being written in various foreign languages. Many companies, particularly in towns and smaller cities, find it useful to publish a little monthly paper, distributed gratis, containing such general matter as will interest the readers together with educational and direct advertisements. Most companies publish in circular form their regular statements as called for, but comparatively few get full advertising value from them. The ordinary bank or trust company statement has no meaning to the lay reader, and therefore no interest. But if the statement be explained and put in plain English, excluding technical terms, it may be made a valuable advertising medium.

Important results have been obtained from pay-roll envelopes furnished free to large employers of labor, having printed on their face a few well-chosen words on the value of systematically saving a part of one's salary or wages and depositing it in the Blank Trust Company. One large savings bank uses over two millions of such envelopes each year, and finds it a good investment.

There are numerous ways in which circulars and booklets may be distributed. The most common ways are by sending them to persons on the mailing lists and by placing them on the desks and in racks in the office so that people may help themselves. For the purpose of mailing it is well to remember to have the booklets of a size and weight that will permit their being placed, perhaps with a letter, in an ordinary size envelope, and carried for one stamp. Mailing cards are coming to be used for this purpose.

A little thought will suggest other ways in which the circulars may be distributed. The officers and clerks may carry a small supply in their pockets and hand them out as favorable opportunity occurs. They may be mailed with interest notices, with notices of safe deposit rent due, with notices to send in pass-books for entry of interest. When pass-

Digitized by Google

books are balanced and ready for delivery, there is an excellent opportunity to enclose in the book a neatly printed slip calling attention to the fact that the company is making every effort to render good service, asking for criticisms if the service has been in any way unsatisfactory, and inviting the customer to bring in his friends.

Magazines, Etc.

Magazines, illustrated weeklies and other periodicals whose circulation is general, not local, are used when a banking-by-mail business is sought. In this field the selection of mediums is of supreme importance, and the advertising manager needs to thoroughly inform himself as to the bona fide circulation of each periodical considered, the classes of people it reaches, and the localities in which its circulation is greatest. The opportunity is large to waste money by placing advertisements in mediums that do not circulate among the people wanted.

Financial Periodicals.

Financial periodicals are the mediums employed when advertising specially for accounts of banks and other trust companies.

Letters.

Personal letters, and form letters which are written as personal letters, are being widely used, and when intelligently written and handled prove a very valuable advertising medium. They are sent to persons on the regular advertising lists and to selected lists made up from time to time. For instance, brief letters showing the value of opening savings accounts for the children in the family may be sent to parents of newborn babies, the names being obtained from the birth lists. The subjects treated in the letters may be the same as those covered in booklets, but are treated briefly and in letter style. Some of the letters are direct invitations to open accounts. The "follow-up" system is generally used; i. e., new letters are sent out at regular intervals until the "prospect" becomes a customer or is evidently not to be reached by this method of advertising.

The plan being that these letters should partake of the character of personal letters, care must be taken to adhere to the plan in every respect. The best way is to have each letter written separately by a corps of typewriter operators. If this is impracticable, the letters should be printed by a printer who makes a specialty of such work and understands his business. Carbon copies or poorly mimeographed copies should never be used. The letters should be personally signed in ink by an officer of the company, rubber stamp signatures being avoided. They should be sent out as first-class mail matter. Unless these precautions are taken, it is better to have the letters printed as circulars without any pretence of being personal letters. Such circulars will have a better effect than "personal" letters which proclaim upon their faces that they are not what they pretend to be.

Digitized by Google

Other Mediums of Publicity.

Advertising cards in street cars are extensively used in most cities. They offer space for only a brief message or reminder; but they are before the eyes of people who usually have nothing to do except to read such cards. Even the man who makes it a habit to read his paper or a book on the car has times when he has finished his reading or wearies of it, and lets his eyes glance at the advertising cards. Care must be taken to have the type used in these cards large and plain enough to be read with ease. It is to be observed that this medium of advertising reaches only those who use the cars, and is available mainly in cold weather when closed cars are in use. Care should be taken to select car lines patronized by persons who would find the office of the advertiser convenient. Copy for these cards must be changed frequently.

Window exhibits are used by many companies. They may consist of collections of coins or currency, a check or draft of unusual amount, a picture or model of the company's new building, the last statement of the company, especially if explained in detail, a comparative statement showing growth, an enlarged photographic reproduction of a savings pass-book showing how an account increases by persistent saving, etc. One attractive exhibit was made of an hour-glass accompanied by a statement of the amount of interest earned by savings depositors during the hour required for the sand to run out of the upper half. Care must be taken to have such displays not too sensational. It is to be noted, too, that some companies are so located that it might bring danger of a "run" to have a crowd gather about the window.

The signs on the building occupied by the company should be distinct enough so that an ignorant person looking for the office will have no difficulty in finding it. There is also a value in signs conspicuous enough to attract attention of the general public, provided a reasonable amount of dignity is maintained. In some cities electric signs at night are used.

Calendars, blotters, wallets, rulers and various novelties are extensively used, although their value is questioned by many advertising managers. It sometimes happens that even when the advertising value of such things is known to be small, it is advisable to invest in them in order to retain good will or to follow a custom established in a community, the failure to follow which by any one company would hurt its business. Companies located in small cities or towns or in the outskirts or small business centers of cities doubtless are under a greater necessity of using this kind of advertising matter than are the large companies at the business centers of the principal cities.

In common with other concerns, trust companies are continually asked to buy advertising space in programmes, cook-books, monthly church or lodge papers and other printed matter issued by churches, clubs, societies, etc. The opinion seems to be pretty general and pretty definite that such things are practically worthless as advertising mediums. It is nevertheless often advisable, if not necessary, to take space in such pub-

Digitized by Google

lications, not as real advertising, but as a gift to gain or keep the good will of the persons interested.

Personal Efforts by Officers, Stockholders and Others.

Besides advertising in the more technical and restricted sense, there are many other means through which a company may make itself well and favorably known to possible patrons. The first of these is the oldest, and at one time practically the only, means of publicity—through the personal efforts of the officers. This is still one of the important means. Through membership in clubs, societies, churches and participation in other business enterprises, the trust company officer has splendid opportunities of bringing business—opportunities which are fruitful, other things equal, in proportion to his personal popularity, ability and reputation for integrity.

In some parts of the country, special solicitors have been employed to bring in new accounts. They are usually given an official title for the sake of having a better standing in approaching people. Their task is one requiring great skill and care.

The *directors* ought to be the source of much new business. They should be kept in touch with the progress of the company, with its plans and prospects, the lines of work it is undertaking, and be filled so full of information and enthusiasm that they can and will tell their friends about it. Men should be elected to the directorate who will give to their duties enough time and attention to keep informed as to what is going on, and who have enough interest in the company to use every opportunity to build up its business.

By properly directed efforts the *stockholders* may be made an important means of building up the business. Some companies have built up a large line of business simply by interesting the stockholders in the work. They really have important reasons for maintaining an active interest in the company's affairs, and but little effort is needed to arouse such interest and make it result in new business for the company. The essential thing is to keep in constant touch with them, by letters, personal interviews, frequent meetings, providing them with samples of all important advertising matter, and treating them as partners in the enterprise rather than as outsiders having no interest other than the semi-annual receiving of dividends and the annual sending of proxies. One enterprising bank president got his stockholders together every three months for a smoker—and the business showed the results.

Many *depositors* (assuming that they are well treated) will be found ready to help in building up the business, if they are asked to do so. An excellent custom is in vogue among some companies, of writing a personal letter, signed by the executive officer, to each new depositor, thanking him for his account, assuring him of the desire to render efficient service, and expressing a hope that the new relations may be profitable and lasting. This makes the depositor feel welcome, but must be backed up, of course, by courteous personal treatment. From time to time means should

Digitized by Google

be devised of keeping in touch with all depositors, to make them feel that they are appreciated and wanted. The trust company has an opportunity, if it will use it, to build up each department from among the customers of the other departments, by seeing that they are posted as to all the services the company can render them.

The various employes of the company have friends and acquaintances from whom they could get accounts, if encouraged to do so. Some companies offer prizes each year to employes for new business obtained.

Results of Audits and Examinations.

Audits offer opportunities for effective advertising that should be utilized. When a thorough audit of a trust company has been made by a responsible audit concern, and matters found in good condition, every reasonable means of advertising the fact should be employed; for it has a very strong tendency to prove to the public mind that the company is solid and trustworthy. If a good auditing department is maintained, the fact should be advertised.

Treatment of Customers.

Without doubt the most effective means of building up a trust company's business is found in fair and courteous treatment of all persons with whom the company has any dealings. Without it, no amount of advertising or of personal solicitation will avail to greatly increase the number of customers. The best of all advertisements is a pleased customer; a customer pleased not because he has "worked" the company for special accommodations, but because he has been treated with uniform courtesy and fairness and his business has been cared for with promptness, intelligence and accuracy. He is almost certain to bring his friends to the institution which has rendered him such services, and may be relied upon as a life-long customer, and a patron of all the departments. Courtesy and efficient service must be the cardinal principles governing the administration of the trust company that would build up and maintain an ever-increasing business. With these principles the whole office force must be imbued; for in their practice every employe from office-boy to president must co-operate. Grouchy and unaccommodating tellers, bookkeepers and clerks may easily drive away more business than the advertising department, officers and directors can bring. The whole atmosphere of the offices must be filled with the spirit of welcome and cheerfulness.

Office Equipment.

This spirit is expressible not only in the personal attitude of the officers and employes, but also in the furnishing and equipment of the offices. These should be attractive and cheerful, containing conveniences of various kinds for customers. The most up-to-date offices provide couches, writing tables, telephones, reading matter and other facilities especially for customers. A ladies' department is maintained, frequently in charge of a matron who looks after the wants of women customers.

Digitized by Google

New currency is paid out by the tellers. An excellent plan is to have an official in the lobby with no other duties than to look after the interests of customers, answer questions, direct people to the proper windows. Nothing is so disagreeable, especially to a timid person, as to be sent from window to window to find the proper place to transact his business.

Increasing Trust Department Business.

While the methods already described will in course of time build up the business of the trust department along with that of the balance of the institution, it is of course desirable to make special effort to increase the patronage of this department. The greater part of its business will come from satisfied customers of other departments; and little progress can be made in securing trust business until the company has established a reputation for solidity and for skill in the handling of business. These two things are the most forceful arguments for the selection of the trust company to handle fiduciary business, and the company which is seeking such business must be prepared to show that it excels in these particulars.

In seeking business of a fiduciary character, it is essential to bear in mind that this is the part of the trust company's functions which is least understood by the general public. The time will doubtless come when the usual practice, both among persons of large means and persons of small means, will be to use the trust company as executor of their wills, trustee of their estates, etc.; but at present the custom is to use the services of individuals for such purposes. Those who are thoroughly informed on the subject understand the great superiority of the trust company for such duties; but such people are decidedly in the minority, and most persons either do not know that the trust company is empowered and equipped to do the work, or else do not know that they have any better facilities for its performance than have individuals. The chief problem before this department, therefore, is the *education* of the public on the functions of the trust company and on its special qualifications for the exercise of those functions. In some cases the educative work must go still further, as, for example, in teaching the importance of making a will *now* or else of providing for the distribution of one's estate by the creation of trust funds before death.

As a preliminary step, attractive circulars should be printed which describe the work of the department. There should be one circular stating briefly but clearly all of the various duties which the department is authorized and prepared to undertake. This should be supplemented by separate booklets, each of which treats more fully of a particular function, such as acting as executor, or guardian, or trustee. These circulars may be mailed to selected lists of people, may be placed in racks prominently located in the company's offices, and may be given out personally to individuals who ask for information or who are known to be interested. When a person asks about any of these functions, he or she

Digitized by Google

should be introduced to the trust officer, who should take the time to thoroughly explain the advantages offered by the company.

A proper proportion of the newspaper advertisements of the company should be devoted to the work of the trust department, and be educative in character. In all advertising devoted to this department, it should be shown that the charges made by the trust company do not exceed those made by individuals, and are often smaller. Unless this is done, the claims made for superiority of services and security may lead to the impression that the fees are correspondingly higher.

For the reason already suggested, that the performance of fiduciary work by other than natural persons is in most communities a new thing, special importance is attached to *getting a start* in such business. No one thing will so influence the people of a community towards using the trust company for such duties as the knowledge that some of their prominent fellow citizens are already doing so. It is therefore of prime importance to thoroughly--but wisely and carefully—advertise the fact when an important trust has been handled. This can be done in news items as well as by paid advertisements. If, for example, The Blank Trust Company is acting as assignee of Doe and Roe, the public is interested in the progress of the work, and the press will be glad to have frequent news items regarding it. Such publicity will impress upon the minds of the public the fact that trust companies, and The Blank Trust Company in particular, act as assignees. So if John Smith has appointed The Blank Trust Company executor of his will, the more widely the fact is known the better. The fact that the late Marshall Field of Chicago chose trust companies as executors of his will and custodians of the vast funds left by him in trust, weighs more with most people than any number of arguments on the subject.

A natural source of trust work at the beginning is from the directors and stockholders of the company. Some of them can be approached on the subject directly; others can be influenced indirectly by filling them with information on the subject and setting them to work to interest others,—a process which will readily suggest to them that they might themselves make use of the trust department. While from one point of view trusts so received are not as good for advertising purposes as those received from outsiders, they carry much weight as evidences that the directors of the company display absolute confidence in the solidity and facilities of their own institution, about which it is presumed they have inside information.

In many communities it is feasible to have published in the local papers, Sunday or other, "feature" articles treating of the progress of the trust company as a quasi-public institution, and explaining its work and the advantages which it offers.

Most companies make a practice of preparing wills free of charge in cases where they are made executors of same. An advertisement on the subject gives a good chance to discuss the importance of making

Digitized by Google

wills, and to call attention to the fact that the company acts as executor and trustee.

It is of great importance to cultivate the friendship of the legal fraternity. While it is true that the trust company is gaining some of the business that has been handled largely by members of the bar, it is true on the other hand that they must and do employ legal counsel themselves and are creating business for lawyers. The amount of competition between the two, both present and prospective, has been greatly overestimated in some quarters. The purely legal business taken over has simply been transferred from attorneys not connected with the company to attorneys in the employ of the company; while much of the business in question is technical and clerical rather than legal, and involves work which the lawyer who devotes himself to the practice of his profession is often glad to be rid of. Arrangements are often made that the trust company administering an estate shall retain the services of the lawyer chosen by the family interested in the estate; and it is customary when a lawyer brings business to a trust company for the latter to employ him as attorney in any matter connected with such business which may require special legal services.

New companies will do well to be patient about the growth of the trust department, remembering that its progress is naturally slow, and that its business is cumulative, like that of the lawyer or the doctor,—the greater the amount of work successfully done the easier it will be to obtain new business. It is a matter of building up a reputation,—a process which requires time.

Preparation of Advertising Copy.

The preparation of copy for the various advertisements requires a peculiar skill. Natural qualifications for such work are required as a basis, and must be supplemented by careful study of the principles of advertising and of the work of the best advertising writers. The work can not be done by following fixed rules, but some conclusions drawn from the practical experience of advertising men afford useful guides.

The copy should be adapted to the medium used. Different kinds of copy are required for newspaper, magazine, circular and street car advertisements. The newspaper advertisement will be read by busy people and will usually be seen but once, the life of the newspaper being not over twenty-four hours. All that can be given is a single impression, which should be as strong as possible. The reader must get the impression quickly and easily, if at all. The magazine advertisement will be read by people having more leisure, and may partake more of the "reason-why" style. In the circular or booklet still more detail may be given. A card in a street car offers space for a very few words, a single impression; but it may be read a number of times by the same persons.

The copy should be adapted to the space used. It should never crowd the space.

Digitized by Google

The copy should be adapted to the reader. It must be couched in words and terms that he understands. If addressed to the busy man, it must be brief; he will not read long explanatory matter. But others may want to read reasons and arguments, and too great brevity is a mistake in advertisements addressed to such persons. Advertisements addressed to the general reader must not be so long as to repel the busy reader, nor so brief as to be hard to understand. Perhaps the weakest point of the average writer of financial advertisements is a failure to understand the viewpoint of the general reader and to learn his wants and his attitude. The average man does not understand the banking or trust company business; it is a mystery to him—simple as it may seem to an insider. He would be greatly interested in a magazine or Sunday newspaper article explaining the details of the business in a frank and straightforward manner—written in plain English and not in clearing-house phraseology. He would appreciate a booklet from his trust company giving such information.

The wording of the advertisement should have the ring of sincerity, honesty, frankness; and it must be backed up by performance.

The literary style used in the copy must be interesting, catchy; but never witty, frivolous or over-original. Parting with his money or delegating his business never impresses a man as a humorous procedure; the "cute" financial advertiser disgusts him. The sentences should be short, crisp, clear; the words good, common short English words, avoiding superlatives and technical terms. The test of a good advertisement is that it attracts attention, interests and convinces. It must leave the reader in a pleasant frame of mind—never scold, preach or antagonize.

A fundamental principle in copy-writing is to treat one point at a time. If the reader digests that one point, the advertisement has been a marked success. The next advertisement may add another point.

The copy should be addressed to just one person—the reader. He should be made to feel that his business is wanted.

The copy for advertisements in periodicals should be changed frequently; in the newspapers, daily. This holds the interest of readers and creates the impression that the company is alive.

Timeliness is a telling point. Bank-books for Christmas presents should not be advertised in July. A robbery offers a splendid opportunity for an advertisement on the folly and danger of keeping large sums of money in the house or on the person; a fire, for a discussion of the advantages offered by the safe deposit department; a defalcation by an executor, for a demonstration of the usefulness of the trust company in fiduciary capacities. A few live companies produced some telling advertisements for their safe deposit departments immediately after the San Francisco disaster.

Of the inducements or talking points available for trust company advertisements, the strongest is undoubtedly that of the solidity of the company and the security afforded to depositors. No inducements will attract people to an institution which they do not believe to be safe. Facts tending to show solidity are ample capital and surplus, large

Digitized by Google

assets, proportion of assets to liabilities other than capital and surplus, careful investments, reserve, well-known and substantial directors, trusts from courts, state or municipal deposits, state supervision, an up-to-date system of accounting, the confidence of numerous depositors. Frequent and thorough audits, either by a regular auditing department or by out side audit concerns provide an excellent talking point for solidity.

Next to safety, ability and desire to give capable service is usually the best talking point. A high rate of interest is, as a rule, not a good advertising point. There is apt to be a suspicion that the high rate of interest is paid at the sacrifice of security. Nevertheless, there are exceptions to the rule. In banking-by-mail business, Pittsburg and Cleveland banks have secured large deposits partly because of their four per cent. interest rates on savings accounts. Where the interest rate is used as an inducement, it is of prime importance to show why it is possible to pay such rates without sacrifice of safety.

Among other inducements which may be made the subjects of advertisements, are convenience of location, attractive building or offices, special conveniences for customers, especially for ladies, advice about business matters, opening of the office one evening a week. A series of strong advertisements may be written on the different functions of the company, treating one at a time. The maxims of Benjamin Franklin and others, with brief comments, provide good material for educational publicity.

The Typographical Make-up of the Advertisement.

The typographical make-up of the advertisement should be made the subject of careful study, for it largely determines whether the reader will notice the advertisement at all. It must be different from the surrounding matter—set off by itself. On the average page, this may be accomplished by means of a suitable border and a white space between the border and copy. If the page is pretty well filled with bordered advertisements, however, more individuality and distinctiveness will be obtained without the border. As a rule, there should be a caption or catch-line which stands out distinctly, to appeal to interest or curiosity. The face and size of type for use in the caption and in the body matter, as well as the border and general make-up, should be dictated by the advertiser, and the proof should be seen and corrected. It is wise to allow the printer ample time. The advertisement should have a good position on a page apt to be read by the people whom it is desired to reach. It should be given plenty of room; if the copy crowds the space, the latter should be increased or the copy be rewritten. It is economy to pay for enough blank space to give a good setting.

There is an advantage in always using a distinctive style of type or border or an emblem—something which will readily give individuality to all of the company's announcements. To insure getting just the make-up that is desired many companies use electrotypes which they own and distribute to the papers as needed. The cost is slight and no chances are taken of poor judgment or serious errors.

Digitized by Google

CHAPTER XIV.

EXAMINATIONS, AUDITS AND OTHER MEANS OF SAFEGUARDING THE BUSINESS.

FORTUNATELY, the tendency of the day is toward the surrounding of the trust company business with every reasonable safeguard. This tendency is due not only to the increasing public demand for such safeguards, but also to a truer appreciation on the part of directors and officers of the sacredness of their trust, and to the realization that it is good business policy to use every means of inspiring confidence in institutions whose success is built upon confidence as a corner-stone. For the safeguarding of the business of trust companies every argument applies that has force in the case of banks, and additional arguments are found in the wider scope of the business and in the increasingly important trusts that are committed to their care.

The parties interested in the matter include the general public, the stockholders, and the employees. Of the general public, the depositors and the beneficiaries of the trusts are of course most directly interested; but inasmuch as trust companies constitute an important part of our financial system, and because the failure of such a company vitally affects the interests of many persons who have had no direct dealings with it, all the people have a right to demand that in the conduct of the business reasonable precautions be adopted. The stockholders have their money invested in the company and are the first to suffer in case of failure; they have valid reasons for requiring satisfactory protection of their interests. The employees, including the officers, are entitled to every possible protection against excessive temptation.

Aside from the restrictions and limitations upon the business imposed by the laws under which trust companies operate, the possible safeguards include examinations, audits, care in the selection of officers and other employees, and the adoption of an accounting and administrative system which leaves the fewest possible loopholes for dishonesty or bungling management.

Accounting and Administration.

Of these a well-considered and carefully planned system of accounting and of administration is fundamental. Recent years have seen great progress in this respect, but there is room for much more. Many companies are still using systems which invite error, mismanagement and fraud; and doubtless some will continue to use them until failure comes or until a competent accountant or auditor is employed who shall point out the weak places. Among recent cases of banks and trust companies ruined by defalcations have been several in which stealings of hundreds

Digitized by Google

of thousands of dollars had been going on for a series of years! A small trust company was robbed of several thousand dollars by an employee who had for some time acted both as savings teller and as savings bookkeeper! In such cases one hardly knows whom to blame most, the defaulting employee or the officials responsible for the lack of intelligent system. It is true that no system can be devised which will absolutely prevent blunders on the part of careless or incompetent workers, or stealings on the part of dishonest ones; but it is entirely practicable to perfect systems which will reduce such possibilities to a minimum.

Such a system having been adopted and put into operation, the next essential is to see that it is carried out faithfully, and that nothing that smacks of habitual carelessness, mismanagement or dishonesty exists. This can be accomplished only by means of examinations and audits, regarding which a considerable change of sentiment has taken place during recent years. The old-time banker looked upon it as something of an insult to suggest that his work ought to be checked over or examined, feeling that the dignity of his trust ought to place him above suspicion. The modern view is such that the most progressive bank and trust company officials welcome thorough and intelligent audits, believing that the careful and conscientious man has nothing to lose and much to gain by having the fidelity of his administration proved beyond question. It is a frequent practice to voluntarily employ public accountants to make thorough audits.

So far as the audit is designed to detect crime, it is not a reflection upon the honesty of the average officer or clerk—which is, indeed, assumed—but rather a recognition of the fact that occasionally a dishonest man may creep in and destroy the work of the honest majority; and from this viewpoint the audit is a protection to the faithful ones. At any rate, the public is no longer disposed to accept from the directors of financial institutions which fail the excuse that "they didn't know there was anything wrong, and supposed the officers and clerks were honest," and is coming more and more to hold such directors both morally and legally responsible for such knowledge. The public is right about it, too; there is no excuse for slipshod methods and guesswork in the business of the trust company, and men who are not willing to attend to their business have no place upon the board of directors of such a corporation.

It is to be observed further that the detection of crime is by no means the only object of examination and audit. Still more important is the prevention of crime, which systematic auditing accomplishes in two ways—by the discovery of stealing at its beginning, when the amount is almost invariably small, and by the deterrent effect which is inevitable when officers and employees understand that speedy detection is practically certain if anything wrong is attempted. Indeed, the very suggestion of stealing comes to most men only when the conditions seem to make it easy and comparatively safe. Another exceedingly important purpose of a proper audit lies in criticism and suggestion regarding the

Digitized by Google

system of accounting and general administration, the pointing out of loopholes for error or dishonesty and the enforcing of faithful adherence to the system in use.

Examinations by officials representing the state government are required in many states, and ought to be in all. State laws sometimes require also examinations by committees of the boards of directors; and whether required by the state or not, such examinations are usually provided for in the by-laws of trust companies. Examinations are also made in some companies by committees of stockholders who are not members of the board of directors, while a few companies have resorted to examinations of each department by employees of other departments. Among the larger companies the habit is growing of maintaining a special auditing department; while instead of this, or in addition to it, many companies have an annual or semi-annual audit by a public auditing concern.

The examinations conducted under the authority of the state are intended primarily to see that the company is conducting its business in accordance with the laws of the state; and while their purpose is attained more or less completely, according to the thoroughness of the officials who do the work and the time at their disposal, such examinations are rarely thorough enough to detect any but the most bungling attempts at stealing, while suggestions regarding the system of accounting are wholly without their province.

Examinations by committees of directors are as a rule very superficial and unsatisfactory, while many are mere farces. In the cases of "one-man companies"—that is, companies in which the executive officer is relied upon to manage the company practically alone, without advice or investigation by the directors, these examinations are apt to be exceptionally farcical; and this in spite of the fact that these are the companies which specially need thorough and frequent examination. The reasons for the incompleteness of directors' examinations are found partly in the common disposition to regard the director's office as a badge of honor rather than as an avenue of service, and partly in the fact that the men chosen for such positions are usually men whose time is very fully occupied with their own affairs and who often are urged to accept the position against their wills and better judgment. Nor are the men composing these committees as a rule familiar with the details or even the principles of trust company accounting. The time given to the examination by such committees does not average over a day or a half day. It is evident that such examinations can hardly be deemed satisfactory as evidences of the sound condition of the company.

Nevertheless, the writer does not want to be understood as holding the opinion that the ordinary examination by a committee of directors is wholly useless. Failures often occur because of unsound or excessive loans or investments, and if the directors are not already aware of such conditions in their company—as they should be—even a cursory exam-

Digitized by Google

ination may open their eyes, unless there is intentional dishonesty and concealment on the part of the officers. If the committee insists upon actually seeing and handling all securities and the notes for all loans, it will at least have proved that the assets called for by the books are in the company's possession at the moment; while it will also have an opportunity to observe what names of officers or directors appear as makers or indorsers on the notes. This is of some value, though of course it gives no assurance that the books are correct, nor would it detect anything that would even create suspicion against an ordinarily shrewd officer who was engaged in looting the institution. There is also some advantage in the insight into the company's affairs which the committee may gain, and in the interest which may be awakened in them.

But a directors' committee examination may easily be made, and sometimes is made, of considerable value, if men are selected who are willing to give several days to the task and who have some technical knowledge which qualifies them for the work. The committee may then make some general examination of the books, examine and list all of the assets called for, with their appraisal of same, make note of items that are worthless or unmarketable or of uncertain value, point out serious flaws and tabulate loans and investments in which officers or directors are interested, giving names and amounts for each. Such a committee should not include any members of the executive committee or any of the officers, and should work independently of the latter.

An examination by a committee of stockholders who are not directors may accomplish much good, provided, as in the case of the directors' committee, men of ability who will take the necessary time are found. Its work may well proceed along the lines just indicated, going further if possible. Such an examination has an advantage in that it is conducted by men who are not directly responsible for the policy that has been pursued.

Examinations by committees of employees are practicable only in companies having several departments. They may be made of some value as examinations and of much value in the way of education and increased interest among the men who do the work; but are evidently subject to the important objection that they are not apt to affect the work of officers; while, as the work must be done "out of hours," they impose a burden upon the men which is hardly justifiable.

That the insufficiency of the different kinds of examinations just named is coming to be widely recognized is shown by the steadily increasing number of companies which either maintain a special auditing department or employ outside auditors or auditing companies to make thorough examinations of their work, some companies having even adopted both plans. It is only by such means that anything like a satisfactory examination can be made, particularly of the larger institutions. The wonder is that the fact has been so long unrecognized, and that other corporations have preceded banks and trust companies in the adoption of thorough auditing systems.

Digitized by Google

As between the maintenance of an auditing department and the employing of an outside audit company for the examination of the larger trust companies, not enough experience has been gained to determine which is the better plan, and opinions naturally differ. If, as some large companies have found to be the case, under either plan it is necessary to have a permanent force engaged in auditing throughout the year, the choice is largely one of form, except perhaps as to cost. Of course, the smaller companies do not offer work enough for a permanent auditor, unless he puts in some of his time at other duties, in which case his value as an auditor is slight. Such companies should employ a competent and responsible accountant to put in such time as is necessary for the work. He should make complete audits at intervals of six months or a year, and in addition step in without previous notice to make special examinations. His reports should be rendered to the board of directors in person, and never to an officer of the company; and the stockholders are entitled to an annual report giving at least his general conclusions.

Whether an employee of an audit company or of the audit department of the trust company, the auditor in charge should be a man who thoroughly understands both the science of accounting and the business of the trust company. He must possess courage and force of character, be not over-trusting or over-suspicious, and be endowed with more than the average amount of tact. If he has assistants, as he must in examining the larger companies, they should also be selected with a view to their fitness for this particular work.

The Audit Department.

In 1903 a committee appointed by the Trust Company Section of the American Bankers' Association reported to that body, that while excellent systems of auditing were in use, there were but few companies which had established regular audit departments. Since that time the organization of such departments has been quite rapid, but as is natural in a new department, there is little uniformity in its conduct among different companies. In some cases a department is organized with an auditor and a number of assistants; in others, there is a single official known as the auditor, or the controller, who in addition to the duties of auditor acts as chief of the clerical force or performs other duties. In such cases his work is usually supplemented by the periodical employment of an audit company.

In the selection of an auditor favoritism should have no place. He should be appointed, not by an officer, but by the board of directors, and to them and them only, in regular session, should he make his reports. His work is quite as much a check upon the officers as upon the clerks, and for that reason it is manifest that he should not be in any way dependent upon the officers. For a similar reason his appointment should not be dictated by the executive committee alone, but by the full board of directors, and *he should report also to the stockholders.*

Digitized by Google

As already indicated, an important part of the duty of the auditor is to devise or to perfect the system of the institution with the special purpose of guarding against carelessness or dishonesty. He will, for example, see that the officers or tellers who are authorized to sign or countersign drafts do not have also the right to make entries in the books; that the same employee does not both handle cash or securities and keep the books; that where there is opportunity of collusion between tellers and bookkeepers, the latter are frequently shifted to other sets of books without previous notice; that the work is so subdivided that no one man can carry through all the details of any transaction.

The exact methods followed in the work of auditing must depend upon the conditions existing in each institution, and it is impossible to devise a system which will be applicable to all companies. An attempt to do this was made by a committee appointed by the Trust Company Section of the American Bankers' Association, which reported in 1903; but the committee reached the conclusion that a system applicable to all trust companies was out of the question. The report of the committee, however, and the three papers on the subject contributed by prominent trust company auditors, contain many valuable and practical suggestions.[75]

The Selection and Treatment of Employees.

The success of many men prominent in the business world has been ascribed to their sagacity in the selection of the men who worked for and with them. The success of a trust company is often materially affected by the kind of judgment used in the selection and training of its employees as well as of its officers. The company whose entire working force, from officers down to errand boys, is uniformly courteous, obliging, accurate and capable, has a tremendous advantage over a company whose officers have these qualities, but some of whose employees are impolite, unaccommodating or prone to numerous errors.

It is not always an easy matter, particularly in the larger companies where changes of employees are frequent and must often be made in a hurry, to find just the right person when a vacancy occurs. For this reason, if for no other, the officer in charge of the employment of the clerical force will do wisely to look up available timber before the moment it is needed, and always have on file information regarding a number of applicants whose record he has taken pains to learn. Most companies have more applications for positions than they have places to fill. Unless something appears at once that shows the applicant to be undesirable, he (or she) should be requested to write a letter of application stating his age, education, experience, present occupation, reason for proposed change, references, etc. It has been found useful to file such applications, together with other letters or memoranda relating to the applicant, in a specially printed envelope, represented in Figure 286. These envelopes may be filed alphabetically or grouped according to

75 See Proceedings Trust Company Section American Bankers' Association, 1903, pp. 12-25.

Digitized by Google

APPLICATION

NAME James R. Smith

ADDRESS 375 Mt. Vernon St.

DATE June 5, 1907 AGE 18

POSITION APPLIED FOR Messenger

EDUCATION Just graduating from High school

RECOMMENDED BY 2 teachers letters enclosed

PERSONAL APPEARANCE Neat

FAMILY Respectable

PARENT W.B. Smith

BUSINESS Grocer

PREVIOUS EMPLOYMENT OF APPLICANT

(1) WITH (School only)

CLASS OF WORK PER MO. $

UNDER WHOM

(2) WITH

CLASS OF WORK PER MO. $

REASON FOR LEAVING

(3) WITH

CLASS OF WORK PER MO. $

REASON FOR LEAVING

REMARKS

FIG. 286.—APPLICATION ENVELOPE.

Digitized by Google

positions for which the applicants are qualified. The officer notes upon the envelope the personal apearance of the applicant, and adds further data obtained by correspondence with references given; so that after a personal interview he is usually able to form a pretty definite idea as to whether the candidate is worth placing in the eligible list. If the system is faithfully followed, there will usually be on hand applications from persons about whom the officer in charge has some knowledge, and who will be available when a vacancy occurs.

Of the qualifications required in an applicant who is to be considered favorably, honesty is the fundamental thing. The writer is aware that the remark is trite, but believes that there is as much appropriateness in the remark now as there ever was. The restless and hurry-to-get-rich disposition of the average American of to-day can not be seasoned too much with the good, old-fashioned virtue of absolute integrity; and certainly the premium on that virtue should nowhere be greater than in the trust company. Next to honesty and general good character, education is important. Boys who have not finished the grammar school are continually applying for positions. Girls who have taken courses in stenography before they have learned to spell or to begin a sentence with a capital letter, want to become bank stenographers. Due consideration should be given to cases in which circumstances make it impossible for the applicant to continue at school; but as a rule the welfare of the applicant and of the company alike demand that boys and girls who have not had at least a high school education be discouraged from seeking permanent positions with trust companies. Particularly is this the case in companies whose aim is to develop men for its higher clerical or official positions from the ranks. In common with the business of the banks, the business of the trust company is in a state of evolution. Civilization is growing more complex, and the United States has taken its place among the "first powers" of the world, and the business of the trust company is coming to require more highly trained minds and a broader outlook. Undoubtedly the best material for trust company work, other things being equal, is found in the man with college training, provided, of course, he has used his opportunities and not merely "been to college." His mind is better trained, his outlook is broader, he puts more intelligence into his work, and he does not so soon reach the limit of his capacity.

The qualities which go to make up an attractive personality are next in importance—neatness in person and in dress, a cheerful disposition, and a courteous and friendly manner. Ordinary ability and willingness to work are of course assumed. If the position to be filled is advanced, previous technical experience is of course necessary; but in ordinary cases the man with the qualifications just named will pick up the technical knowledge and in a few months be of more value to the company than the experienced man who has not these qualifications.

In the matter of promotions civil service rules should be, and happily in most companies are, in force. "Influence" is coming to have

Digitized by Google

less and less power in the matter, and should have none. The filling of vacancies in the higher positions by promotion from the ranks when possible is demanded alike by justice to the employee and by the best interests of the company, for no one thing so tends to maintain a loyal spirit among the employees as the knowledge that a "square deal" in this matter is assured. This does not mean that every employee should be "moved up one peg" every time a vacancy occurs in one of the higher clerkships; nor does it demand that length of service should be a prime consideration. It means that the man who has shown his capacity and proved his merit in the service of the company should be given the preference over an outsider if he is competent to fill the position which is vacant. It will of course occasionally happen that no one of the employees is capable of filling the position; then and only then should an outsider be brought in.

Fair and liberal treatment of employees in other matters is dictated not only by the principles of justice but by wise policy as well. Salaries should be reasonably liberal, and in their adjustment the ability required, the responsibility assumed and the length of individual service should be among the matters considered. Vacations should be given to all employees each year as a matter of course. They should be arranged according to a definite plan and not be put off until asked for, and should be announced long enough in advance to enable each one to make his plans. The best-managed companies not only permit but require every employee to take a vacation each year, not only because the vacation will enable the employee to do better work, but because it gives opportunity to judge better the accuracy, faithfulness and integrity shown in his work. The average length of vacation for employees below official rank is about two weeks. In order to care for the work during vacations and during sickness and unavoidable absences for other reasons, one or more general clerks who are able to step in and fill any position should be employed.

In spite of a well-defined prejudice against them on the part of many officials, women have made their way into the ranks of trust company workers and are filling a variety of different positions, and in many cases filling them with exceptional merit. They are most frequently found in the position of stenographer, but there are many women who are capably filling the positions of bookkeeper, teller, clerk, etc.

All employees having any degree of responsibility—and this includes nearly all, if not quite all—should be bonded in reasonable amounts. Except perhaps in the smallest towns, the practice is quite universal to use bonds of surety companies, the premiums for which are paid by the employing company.

Every reasonable opportunity should be given to employees to learn the business in other departments than the one in which their own work lies. Occasional shifting of positions is a help in this direction, and on occasions when the work is especially heavy in any one department,

Digitized by Google

employees of other departments may be encouraged to help out—no one being permitted, of course, to slight his own work. He is a short-sighted official who is not willing to answer questions and explain puzzling problems to ambitious employees who are striving to become masters of different departments of the work. If an employee is lacking in education, he should be encouraged to utilize such opportunities as are offered by the night schools or the classes conducted under the auspices of Young Men's Christian Associations in the cities. An especially valuable medium for the acquirement of knowledge and of training, the strengthening and broadening of character and the stimulation of ambition is found in the work of The American Institute of Banking, of which local organizations or chapters are now found in most of the large cities, and in many smaller ones. This institute, which was organized by and is conducted under the auspices of The American Bankers' Association, is doing a splendid work among bank and trust company employees, both young and old, and should receive the most cordial support from every wide-awake trust company official.

Digitized by Google

CHAPTER XV.

SUNDRY TOPICS.

Fees.

EXCEPT in the few communities in which trust companies are so well established that there is something approaching a standard schedule of fees, the question of the proper charges to make for services rendered by the trust department is often a difficult one. This is due not only to the fact that in most communities there is no set standard for guidance, but also to the fact that a number of matters must be taken into consideration—the amount of clerical work involved, the knowledge and training, or in other words the professional skill, required, the value of the service to the customer, and most important of all, the degree of responsibility, legal and moral, assumed by the company. The charge may be tempered, too, by the probable incidental profits of the work due to new business obtained thereby.

That there exists considerable difference of opinion among trust company officials regarding the matter of fees has been shown by discussions at the conventions of the Trust Company Section of the American Bankers' Association.[76] These discussions also demonstrated that it is quite impossible, even if desirable, to devise a uniform scale of charges for given kinds of services which could be made applicable throughout the country or even throughout a state. Local conditions vary so greatly that a schedule of fees suitable for one locality would be too high for a second and too low for a third. Indeed, the actual value of the service and its cost in labor and in responsibility assumed differ so much that even in two cases of the same kind of services rendered by the same company there may justly be different scales of charges. So far as the service is professional in its character, the matter of fees is subject to about the same considerations as the determination of the fee of the lawyer, and is affected by the customs of the community. The country lawyer expects to receive a smaller fee than the lawyer in the large city, and he often gauges its amount in part by the value of the service to the client, and in some cases takes into consideration the latter's financial ability.

The simplest element of the problem is the amount of clerical labor involved. This is not always easy to determine in advance; as, for example, in the work of transfer agent, in which the amount of work will depend, after the original issue, upon the activity of the stock. When possible, it is wise to defer the matter of fee until enough experience has been gained to form a somewhat reliable estimate of the amount of work required. But even when known with exactness, the amount of clerical labor involved should be a matter of minor importance in the determination of the fee.

---

76 See Proceedings Trust Company Section, in particular 1904.

Digitized by Google

The professional ability demanded is a matter of considerable weight, and this factor of the problem should ultimately result in larger fees than are prevalent for certain services. The trust company is held liable for sufficient legal and technical ability and carefulness to do the work correctly, and is entitled to proper compensation therefor.

The value of the service to the customer is an important consideration which should be given careful study; but it is not an exact means of determining the fee. A corporation may require the services of a trust company as a *sine qua non,* but would hardly consent to pay a fee measured by the necessity of obtaining the service.

The benefit which may accrue to the company in the way of new business resulting from the work is a matter worth consideration, especially by new companies and by companies located where the trust company is not firmly established; but it is evident that this consideration, like the cut-price sales of the merchant, can be operative only in exceptional cases. One can not always do business at less than cost for the sake of new business to be taken on the same terms.

The most important matter of all is the responsibility, both legal and moral, which the company must assume. This is in some cases the hardest thing to determine, owing to the absence of either statutory laws or court decisions which clearly define the liabilities of trust companies acting in certain capacities, and owing to the ignorance of the public, which is apt to hold the trust company morally responsible in case of loss upon any document upon which the trust company's name appears in any capacity.

Fees for Acting as Executor, Etc.

Fees for services as executor, administrator, guardian, etc., are in many states fixed by statute, or are determined by the court, and are the same for a trust company as for an individual. In New York the statute fixes the fees at five per cent. upon the first $1,000, 2½ per cent. upon the next $10,000, and one per cent. upon all over $11,000 of the principal, with an annual fee on the income at the same rates. No fee is allowed upon the value of the real estate unless same is sold under order of the court. In cases of extraordinary difficulty or responsibility the court may increase such fees. In Ohio the statute fixes the fees of executors and administrators at six per cent. upon the first $1,000, four per cent. upon the next $4,000, and two per cent. upon the excess over $5,000 of personal property. The Missouri statute allows executors and administrators a commission of five per cent. upon disbursements of personal property.

These rates usually serve as the basis for determining fees of testamentary trustees and fees in any trust coming through law or by appointment of the court, and are guides in fixing the charges for the care of estates held in trust from whatever source.

Digitized by Google

Fees for Care of Estates Under Private Agreement.

When the trust comes by private agreement, the company is of course at liberty to make the best terms it can as to fees. In one large eastern city, the usual charges are one per cent. on the principal, often payable one-half at the beginning and one-half at the termination of the trust, and an annual fee of 2½ per cent. on the income if the funds are invested or to be invested in coupon bonds or stocks. If part is in real estate, some companies make the charge on income five per cent., handling the real estate themselves, while others keep the charge at 2½ per cent., first deducting an outside real estate broker's charge for handling the real estate. In another city, common charges are two per cent. on the principal at the termination of the trust, with an annual commission on the income of three per cent. on that part derived from personal securities and five per cent. on that part derived from real estate. In some places the charge is five per cent. on the income without reference to whether the estate owns real property. Another scale of charges employed is a commission of from one-half per cent. to one per cent. for the investment or reinvestment of the principal, payable at the times such investments are made, and from three per cent. to five per cent. on the income according to the proportion of the principal invested in real estate.

Fees of an Assignee or Receiver.

The fees allowed to an assignee or a receiver are fixed by statute or determined by the court. In New York the assignee's fee is five per cent. on the whole sum handled, and the receiver's fee is fixed by the court at a figure not exceeding five per cent. The receiver of a corporation may receive five per cent. on the first $100,000 received and disbursed, and 2½ per cent. on the excess over $100,000; but the total fee may not exceed $12,000 for any one year, nor be greater than at the rate of $12,000 per annum for a fraction of a year.

Fees as Trustee Under a Bond Issue.

Fees for acting as trustee under a bond issue are generally based on a charge of a certain amount per bond, the amount in many cities being one dollar a bond for small issues and fifty cents a bond for large issues. The terms "large" and "small" are of course relative, and their interpretation differs according to local circumstances. In some places the dividing line is at about $200,000; in others, $500,000 or $1,000,000. Sometimes, especially in small issues, a special counsel fee is added, sometimes not. Some companies make a minimum charge of $100 covering everything. There is a well-defined feeling in many quarters that the prevalent fees for this work are much too small in view of the fact that the legal and moral liabilities assumed are not well determined, and may be much larger than is generally realized.

There is considerable difference of opinion regarding fees for the payment of coupons. In New York, where the use of money for ten

Digitized by Google

days is of more value than elsewhere, it is generally considered that if the money for the payment is deposited from ten to thirty days before the coupons mature, the use of the money is sufficient remuneration for the work and responsibility undertaken. If the money is not deposited in advance, many companies make a charge of from one-eighth to one-fourth of one per cent. In places where the use of money for short periods is not so valuable, some companies make the charge unless the funds have been on hand for a considerable period. Similar considerations hold in the matter of charge for the disbursement of a sinking fund.

Fees as Transfer Agent.

The fees for acting as transfer agent for stock depend upon the capitalization and upon the activity of the stock. The latter element is often hard to determine in advance, though the character of the corporation gives some clue; the stock of a railroad, for example, being apt to be more active than that of a bank. By some it is recognized as a general principle that the fees of the transfer agent should be double those of a registrar. Minimum fees for very small and inactive issues range from $50 to $100 a year, the fees for large and active issues running into several thousand dollars. In view of the responsibilities assumed, and of the fact that a single clerical error in this work may prove very costly, the prevalent fees seem inadequate.

The reader should bear in mind that the fees above stated are by no means universal, and are given here only to convey an idea of the charges made by some companies. The fees for other kinds of services vary so much and depend so largely upon the peculiar circumstances of each case, that an attempt to state customary charges would be useless.

Foreign Exchange.

Most trust companies sell drafts on foreign countries, traveller's checks and letters of credit; but as most of them do so through banking houses which make a specialty of that class of business and which issue full instructions as to procedure, it is unnecessary to discuss the subject here. A few large trust companies conduct thoroughly equipped foreign exchange departments.

Time-and-Labor-Saving Devices.

The past generation has witnessed the introduction into the business world of a number of devices which save time and labor, and which are peculiarly useful to banks and trust companies. Many of them are no longer classed as mere conveniences but have become absolute necessities for the larger companies. Among these are the typewriter, the telephone and the adding-machine. Except in very small companies, the typewriter is universally used for correspondence and similar work, and even book entries, especially for such records as the trust register, are being made by the use of the book typewriter. An increasing amount of business is being conducted by telephone, the larger companies maintaining private

Digitized by Google

exchanges connecting each desk with the other desks in the office and with the outside world. The long-distance telephone enables the official of a trust company in Chicago to transact business in New York in a few minutes, without leaving his desk. The adding-machine not only lists and adds long columns of figures more quickly and more accurately than can be done by the most expert bookkeeper, but has become indispensable in companies which handle large volumes of business. By its use the taking of trial balances of thousands of accounts is made a short and simple operation. Its value is increasing as new uses to which it may be put are discovered.

The work of the teller is lightened by the use of coin counters and other conveniences. Duplicating machines enable the advertising department to send out duplicate letters which are hard to distinguish from originals. Commercial phonographs make it possible for an officer to dictate letters and other matter at such odd moments as he finds convenient, without wasting the time of the stenographer while waiting during the numerous interruptions to which he is always subject. A more recently introduced device is the telautograph, which reproduces writing at a distance. By its employment the teller may write at his desk an inquiry regarding an account which is reproduced immediately at the desk of the proper bookkeeper. The latter writes his reply, which is at once before the teller, who is thus enabled to get the needed information quickly, silently and without attracting the attention of the customer. Numerous other devices of greater or less importance are included in the equipment of the most progressive companies. A judicious use of these improvements enables the company to do better, neater and quicker work at a saving over old methods.

Branch Banking.

In a few places in which the laws of the state permit, trust companies are conducting a branch banking business with such success as to make it highly probable that the plan will spread in the near future to other localities and to other companies. The same advantages are gained that are urged in favor of the Canadian branch banking system, except as to currency, though of course on a much smaller scale. A central office is maintained in the down-town portion of a large city, and the branches are scattered through the outskirts of the city and through the suburban towns. In this way communities which are unable to support independent savings banks, or at best only small ones, are enabled to have all the advantages afforded by the strongest companies. The confidence inspired by such a strong institution attracts deposits which had not theretofore been in banks at all. Money is brought into communities needing it, while from those localities which have a surplus, funds are transferred to the central office or to the other branches where the money can be used to advantage. From the standpoint of the company, deposits are materially increased, while the circle of friends who may furnish business for departments other than the banking department is widened.

Digitized by Google

Banking by Mail.

Trust companies have been among the leaders in the promotion of the banking-by-mail business, which is really only a part of the growing system of "mail-order business." As applied to banking, this is not altogether recent in principle, since people have for many years occasionally sent deposits and made withdrawals from accounts through the mails. The conducting of regular banking-by-mail departments and the effort to build up this class of business are, however, phenomena which have originated during the past decade. The Pittsburgh Bank for Savings claims to have originated the first systematic banking-by-mail department in the year 1898. Its deposits at that time amounted to $3,350,000, and in three and one-half years were increased to $12,250,000; a considerable part of the increase being ascribed to advertising for mail business. A number of trust companies and savings banks are now conducting such departments and meeting with much success. Pittsburgh and Cleveland, because of their four per cent. interest rates paid by solid concerns, have some advantage in this class of business; but the possibility of getting mail business is by no means dependent upon the interest rate. It appeals to many classes of people because of its convenience and because it offers one, no matter where located, the opportunity to leave his savings in charge of a strong institution. Even in the cities it is often more convenient to mail a deposit than to carry or send it to a bank; but the special advantage of course accrues to persons more or less isolated, farmers and residents of small towns having no savings banks—which includes somewhat over seventy per cent. of the people of this country. The extension of the rural free delivery of mail, and the general improvement of the postal system, are of course great aids to the business.

The method employed in conducting the business is simple. Upon receipt of an inquiry, a letter is sent with which is enclosed a signature-card and a circular describing the method. If the inquirer decides to open an account, he has but to place his signature and address on the card and mail it with his initial deposit to the company. He receives in return a pass-book, which in future transactions can be mailed back and forth as deposits or withdrawals are made, or can be left at the company's office. In the latter case, a separate receipt is sent for each deposit. The pass-book is made light enough to be carried with a letter and a check for one stamp. The depositor may send his deposits in the form of New York draft, postal money order, personal check or in currency by registered mail. As to the safety of such remittances, the large companies doing a banking by mail business advertise that so far as they know not a dollar has yet been lost in making them. Remittances to depositors are made upon receipt of letters requesting same, by New York draft; or, if specially requested, by postal money order.

Trust Company Offices and Buildings.

There is observable among trust companies a growing tendency to purchase or construct buildings of their own. Such a course assures a

Digitized by Google

permanent location, gives an impression of stability, and often proves of value as an investment. Frequently it is the only means of getting the exact location desired, or of insuring the most convenient arrangement of the offices.

Whether occupying its own building or rented quarters, the progressive company finds it profitable to maintain offices which are attractive and convenient. The standard of office equipment is such that the public expects a bank or trust company to occupy well furnished quarters, so that the cost of a good equipment is more than repaid in advertising value. The lobby should be provided with all possible conveniences for customers, including writing-desks supplied with good ink, clean pens and blotters, comfortable chairs, etc. The larger companies often provide separate reading and lounging-rooms for customers, with current newspapers and magazines, writing-desks and other conveniences, and committee-rooms for the use of customers who wish to meet to arrange details of business. In many cases there are special quarters for women, equipped with numerous conveniences and in charge of a matron who looks after the comfort of patrons.

The quarters of tellers, bookkeepers and other employees should be arranged and equipped with a view to safety, neatness, convenience, saving of time and labor and the health of the workers. Attention to these matters is amply repaid in better service. The matters of light and fresh air are of special importance; when possible the arrangement should be such that the light comes from back of the workers, and a well-considered ventilating system should be adopted. There is economy in the use of up-to-date office furniture and conveniences. Steel is coming to take the place of wood in the construction of filing cases and cabinets for keeping papers and records which are brought out of the vaults during the day.

In the general arrangement of the offices the quarters of the banking and savings departments usually occupy the location most convenient for customers. The trust and other departments having fewer visitors are located at the rear of the room or on other floors if the company occupies more than the ground floor. The safe-deposit department is usually located in the basement, but is sometimes on the ground floor. In the large companies the equipment of this department is expensive and as nearly perfect in the safeguards provided as modern science can make it. Besides being constructed of hardened steel with massive doors opened with time locks, the vaults are protected by watchmen on duty day and night and in many cities by electrical attachments which if tampered with sound an alarm at the offices of detectives who are prepared to investigate at once.

Exclusive Trust Company Buildings.

In places where the price of land is not very high, it is generally agreed that it is of more advantage for a trust company to occupy a building devoted exclusively to its use than to have quarters in an office building. In large centres where the price of land is very high and the possibility

Digitized by Google

exists of large income from the rentals of an office building, there is quite a wide difference of opinion as to whether the advantages gained by an exclusive trust company building offset the giving up of opportunities for revenue from an office building. It is interesting to note that a number of prominent and successful trust companies, as well as banks, in several large cities have had faith enough in exclusive bank buildings to make the investment, and that their success in the instances in which the buildings have stood for several years has justified their faith. Among the companies now occupying such exclusive trust company buildings or having them in course of construction are: The Mississippi Valley Trust Company and the Mercantile Trust Company of St. Louis, both of which were pioneers in this movement; The Illinois Trust and Savings Bank, The Northern Trust Company and the Central Trust Company of Illinois, of Chicago; The Cleveland Trust Company of Cleveland; The Commercial Trust and Savings Bank of New Orleans; The People's Trust Company, The Title Guarantee and Trust Company and the Knickerbocker Trust Company of New York; The New England Trust Company of Boston; The American Security and Trust Company of Washington; The Pennsylvania Company for Insurance on Lives and Granting Annuities, and The Girard Trust Company, of Philadelphia.

Whether such magnificent exclusive trust company buildings as these companies and others have are profitable from the standpoint of the company or not, there is no question that they add very materially to the beauty of the cities in which they are located, and reflect credit upon the public spirit of their builders. They mark a step toward the greater appreciation for art and architecture shown by the older cities of Europe, whose banks in most large centres greatly excel ours in this respect.

Digitized by Google

CHAPTER XVI.

THE DUTIES AND LIABILITIES OF TRUST COMPANIES ACTING IN VARIOUS CAPACITIES.[77]

Duties as Transfer Agent.

THE duty of the transfer agent is to act for the issuing corporation in the matter of making transfers of the ownership of its stock from one holder to another. This involves the passing upon the regularity and legality of the assignment of title; the noting of the transaction upon the transfer books of the corporation; the cancellation of the old certificates and the execution and delivery of new certificates. Incidentally it involves the furnishing to the corporation of a certified list of the stockholders whenever the books are closed for the payment of dividends, and at other times as demanded.

The performance of these duties requires that the transfer agent be the custodian of the stock books and the seal of the issuing corporation and of a supply of blank certificates. The certificates, bound in book form so that each certificate and its stub form one page, and numbered consecutively, are before delivery to the transfer agent signed by the proper officers of the corporation. The face of the certificate usually contains the provision that it is not valid unless countersigned by the transfer agent. On its back is usually printed an assignment of the stock and an irrevocable power of attorney, of which the following is a common form:

> "For value received ..... hereby sell, assign and transfer unto ..... the shares of capital stock represented by the within certificate, and do hereby irrevocably constitute and appoint .... attorney to transfer the said stock on the books of the within-named company, with full power of substitution in the premises.
>
> ....."
>
> Dated ..... 190...
>
> In presence of
>
> .....

77 While the duties of trust companies acting in various fiduciary capacities are fairly well established by custom and in some cases by legislative enactment, their exact liabilities, especially in corporate trusts, such as those of transfer agent and registrar, are sometimes undetermined either by statute or by court decisions, and are the subjects of wide differences of opinion among trust company officials and among lawyers. In the following discussion, so far as it relates to liabilities, the writer has endeavored to state the various positions taken by different writers quoted, to whom he wishes to acknowledge his indebtedness

Digitized by Google

Before making delivery of a certificate, the transfer agent dates it, fills in the name of the new holder and the number of shares represented, affixes the seal of the issuing corporation and attaches the proper signature to the transfer agent's certificate. The form of this certificate recommended by a committee of the Trust Company Section of the American Bankers' Association reads as follows:[78]

"Countersigned:

..... Trust Company, as Transfer Agent,

By ....., Secretary."

At the time of accepting an appointment as transfer agent, trust companies require certain information from the issuing corporation regarding its organization and the issue of its stock, the exact nature and amount of such information varying according to the policy of the trust company. The following are the requirements published by The Old Colony Trust Company of Boston:

"Corporations desiring the trust company to act in either of these capacities (transfer agent or registrar) should submit the following papers. Additional papers will be called for if required:

(*a*) Certificate of incorporation of the company, certified by the Secretary of State of the state where the corporation is domiciled.

(*b*) Minutes of the organization meetings of the stockholders and directors of the company, showing compliance with the necessary formalities to make the incorporation legal, such minutes to be certified by the clerk or secretary of the company.

(*c*) By-laws, similarly certified.

(*d*) Copies, similarly certified, of all votes, both of stockholders and directors, authorizing the issue of stock of the company, together with the certificate of the treasurer or other proper officer stating the exact amount of stock outstanding, which was issued under each of such votes. If approval by the state is necessary in any form—e. g., by railroad commissioners—formal evidence of such approval, and generally of compliance with all conditions precedent to the issue.

(*e*) If the stock is issued as fully paid, evidence that such is the case, either in the form of a certificate of the treasurer to payment in cash at par, or, if the law of the state permits payment to be made otherwise than in cash, then satisfactory proof that payment has been made in compliance therewith.

(*f*) Copy of the form of stock certificate which is to be issued, and which the trust company is expected to sign. This should be submitted for approval before it is engraved.

---

for the information given and for many of the opinions advanced. It is perhaps hardly necessary to remark that this discussion is intended merely to show the different views that are current on the subjects treated, and does not pretend to state conclusions ex cathedra, the writer making no claim to expert knowledge in the matter. In any transaction other than one which is absolutely plain and simple, no trust company official or employee should proceed without competent legal advice.

78 Proceedings Trust Company Section, 1905, p. 7.

Digitized by Google

(*g*) Vote of directors certified as in (*b*) approving the form of stock certificate; also vote similarly certified appointing the transfer agent and agent to register transfers of the company.

(*h*) List similarly certified of the officers and directors of the company, with sample signatures of such as may sign certificates."

The practical work of transferring stock requires a high degree of intelligence and care and a thorough kn wledge of the law governing such transfers. The risks involved aside from possible clerical mistakes, errors in bookkeeping, dishonesty or gross carelessness on the part of the employees who actually do the work, include mistakes of law or of fact in making transfers on forged endorsements, or on insufficient authority, or in violation of law, especially in cases of certificates held by persons as trustees for others. Certificates endorsed in blank are often presented for transfer by persons other than the holders of record. The transfer agent must know the signatures of stockholders or otherwise identify them beyond question. Where stock is held in fiduciary capacities, the agent must know the terms and powers under which it is held. When a certificate is presented for transfer, the transfer clerk should know that the certificate itself and the power of attorney accompanying it are genuine; that the transferrer is legally competent to make the transfer; that no notice has been given the company of any outstanding claims against the stock; that, in the absence of direct notice, there is no implied notice of claims, such as the certificate itself may give when standing in the name of a trustee.

Liabilities as Transfer Agent.[79]

On the subject of the exact liabilities assumed by the transfer agent in agreeing to perform these services, there is a considerable difference of opinion, which is readily accounted for by the fact that there is no statute law covering the case, and very little law in the shape of court decisions. While the office is sometimes undertaken under special contract which details the liabilities to the issuing corporation, the more common method of appointment is by a mere resolution of the directors of the issuing corporation appointing the Blank Trust Company as the transfer agent of its stock, and the acceptance of the appointment by the latter. This method assumes that the duties and liabilities of the position are so well known as to require no definition; an assumption which is justified so far as routine duties are concerned, but which as to liabilities seems inconsistent

79 Readers wishing to consult fuller discussions of this subject and of the liabilities of trust companies acting as registrars are referred to the following articles, some of which are quoted herein: Proceedings Trust Company Section A. B. A. 1896-1903, pp. 59-75, article by Felix Rackemann; pp. 184-199, article by Henry J. Bowdoin and discussion of same. Proceedings Trust Company Section A. B. A. 1904, pp. 28-41, article by Jordan J. Rollins; pp. 85-86, letter from Noble B. Judah, and discussion preceding. Proceedings Trust Company Section A. B. A. 1905, pp. 6-8, Report of Executive Committee. "The Banking Law Journal," Vol. XXII, pp. 717-720, article by C. F. Morris. "Trust Companies" Vol. I, pp. 418-421, 497-503, 609-613, articles by Ross Perry; pp. 989-990, article by E. C. Hebbard; Vol. II, pp. 416-418, article by Willard V. King; Vol. III, pp. 12-14, article by Charles A. Greene.

Digitized by Google

with the divergent opinions held by officers of banks and trust companies which act as transfer agents. The difference of opinion does not concern what the trust company accepting an appointment expects and intends to undertake, but has reference to possible implied and incidental obligations which it does not intend to assume, but for which, in the opinion of some writers, the courts may hold it responsible. "It is well understood in banking and trust company circles that the transfer agent undertakes to say to the purchaser of the stock which it has countersigned no more nor less than that such stock is a genuine portion of the capital stock of the issuing company, that the said company has been duly authorized to do business by the Secretary of the State in which the company is incorporated, and that the signatures of the officers to the certificates of stock are genuine."[80]

LIABILITIES OF A CORPORATION ACTING AS ITS OWN TRANSFER AGENT.

Before stating the variant views of different writers on the subject in hand, it will be useful to inquire into the extent of the liabilities of corporations when they transfer their stock through one of their own officers or employees. It is of course beyond the scope of this article to discuss the law of stock transfers, concerning which elaborate text-books may be read. A few instances showing the liabilities involved will be sufficient for the present purposes.

In an able paper on the subject read before the Trust Company Section of the American Bankers' Association,[81] Jordan J. Rollins showed that improper transfers may arise "Equally through honest mistake, negligence or fraud." Illustrating the statement, he instances cases in which errors have occurred and the issuing corporations have been held liable:

(*a*) Through a mistake of fact where the title to stock was affected by a law peculiar to a foreign state or country. He quotes the United States Court of Appeals that "The validity of a transfer of stock is governed by the law of the place where the corporation is created."

(*b*) Through a mistake of fact where the title to stock was affected by some complicated contractual relation.

(*c*) Through a mistake of fact where a person acting as attorney for another exceeded his authority in making a transfer.

(*d*) Through fraud on the part of the officer in charge of transfers.

As a brief statement of the responsibility of the issuing company, he quotes the United States Supreme Court (Telegraph Co. vs. Davenport, 97 U. S. 369, at p. 371) as follows:

"The officers of the company are the custodians of its stock book, and it is their duty to see that all transfers of shares are properly made, either by the stockholders themselves or persons having authority from them. If, upon the presentation of a certificate for transfer, they are at

80 C. F. Morris, in "Banking Law Journal," Vol. XXII, p. 718.
81 Proceedings Trust Company Section 1904, pp. 29-33.

Digitized by Google

all doubtful of the identity of the party offering it with its owner, or if not satisfied of the genuineness of a power of attorney produced, they can require the identity of the party in the one case, and the genuineness of the document in the other, to be satisfactorily established before allowing the transfer to be made. In either case they must act upon their own responsibility. In many instances they may be misled without any fault of their own, just as the most careful person may sometimes be induced to purchase property from one who has no title, and who may perhaps have acquired its possession by force or larceny. Neither the absence of blame on the part of the officers of the company in allowing unauthorized transfer of stock nor the good faith of the purchaser of stolen property, will avail as an answer to the demand of the true owner."

He also quotes the Supreme Court of Massachusetts (Crocker vs. Old Colony R. R. Co., 137 Mass. 417) as follows:

"When a transfer of stock is presented to a corporation it is bound at its peril to see that it is a genuine transfer by one who has power of disposition over the stock. . . . If it issues a certificate upon a forged or unauthorized transfer, the real owner retains his property in the stock and the corporation may be liable to a bona-fide holder of the new certificate."

On the other hand, quoting the same case:

"If a proper transfer is presented to a corporation it is its duty to issue a new certificate in accordance with it, and if it refuses, it is liable to the person to whom the transfer is made."

Summing up this portion of his paper, Mr. Rollins concludes, "For all loss occasioned, whether by fraud, negligence or unavoidable mistake, by it or its agents in the transfer of its stock, such corporation is absolutely liable, and no excuse can mitigate its liability."

Special risks are involved in the transfer of stock at the instance of executors, administrators, trustees or guardians. In a series of articles on this phase of the subject in "Trust Companies" magazine[82] Ross Perry cites a number of cases showing the character of the risks. These include:

(*a*) A case where stock held in trust under a will was ordered distributed by a lower court and the corporation so distributing it was afterwards held liable by the Supreme Court of the state (Tennessee), notwithstanding the instructions of the lower court, on the ground that the distribution was not in accordance with the terms of the will, of which the corporation had or ought to have had notice.

(*b*) A case where the trustees under a will transferred stock in excess of their authority and used the proceeds for their own benefit, and the corporation permitting the transfer of its stock was held chargeable with a knowledge of the contents of the will which was spread on the public records, and was required to make good to the trust estate the value of the stock.

(*c*) A case where stock held by executors under a will transferred same to themselves as trustees, and afterwards to "A. B., Trustee," the

82 Volume I, pp. 418, 497 and 609.

Digitized by Google

latter selling the stock and using the proceeds for his own purposes. In an action to recover the Court of Appeals (of Maryland) answered the plea of the defendant corporation that the mere word "trustee" gave them no notice of the trust, by holding that having been once informed of the will and its provisions affecting the stock in question, that knowledge continued all the way down, and the company was bound to see that the trust property in their custody was protected and not misappropriated, and required it to make good the loss.

(*d*) A case where a transfer on the order of an executor caused loss to a corporation because the executor had not complied with the law of the testator's domicile before selling the stock so transferred.

Mr. Perry further shows that where stock is transferred *to* a trustee, executor, administrator or guardian in an investment of trust funds, the corporation permitting such transfer of its stock may be held liable in case such investment of trust funds is against positive prohibition of law.

It must be evident, without further discussion of this topic, upon which volumes have been written, that the corporation which transfers its own stock is subject in the matter of such transfers to very grave responsibilities.

Responsibility of the Separate Transfer Agent.

How much of this responsibility does the trust company—or any other separate transfer agent—assume? Is the relation between the issuing corporation and the transfer agent that of simple agency, and the responsibility of the agent limited to the exercise of good faith and ordinary skill and carefulness; or does the agent, in assuming the duties connected with the transfer of stock, also assume all of the responsibilities in connection with such transfers that the issuing corporation would itself have if no separate transfer agent were appointed? This is a question of most vital importance to the trust company—a question concerning which opinions differ widely, and upon which the courts have not passed.

Those who incline to the opinion that the courts may hold the transfer agent liable for more than simple agency call attention to the causes which have brought about the employment of separate transfer agencies, to the purposes which they now serve and to the possible liability to two parties—the issuing corporation and the interested public. Recognizing the fact that convenience and the demands of business were potent factors in establishing the custom, they maintain that the demand of the public for additional safeguards, outside of any that the issuing corporation itself could furnish, was an important factor, and is to-day perhaps the strongest single reason why a corporation wishing to market its stock must have the same transferred by a responsible bank or trust company. They show that the stock exchanges generally require the appointment of such agencies as a prerequisite to the listing of the stock, and that the public would regard the omission of the appointment of a transfer agent as suspicious and irregular. They argue that it is evident that the general public looks upon the transfer agent as practically a guarantor, separate and aside

Digitized by Google

from the issuing corporation, that a certificate of stock bearing its signature is absolutely valid, and that the holder will be protected by it; and they think it a fair question whether the courts, when a test comes, will not hold to the public's view of the case. As between the principal and agent, they point to the fact that one of the contributing reasons for the agency from the standpoint of the former is the supposition that the trust company is an expert in such work, possessed of superior facilities and endowed with thorough knowledge of the law, and therefore to be held accountable for more than ordinary skill; also to the fact that the principal ordinarily surrenders to the agent the entire control of the transfer of its stock, thereby placing beyond its own reach any power to prevent improper transfers, except of course in a few cases in which it may have special knowledge and instruct the agent.

". . . In view of the causes which have resulted in the office and custom, and of the practically absolute control exercised in most instances by the agent, it is certainly prudent for us to anticipate that the courts will decide, when a proper case is presented, that the agent is responsible to its principal in the full measure of the consequences resulting to the principal for any acts of the agent. . . . Can it be successfully argued that, while the agent agreed to perform the work, and accepted a cash consideration therefor, the responsibility for the consequence of mistake, however innocent, impliedly remains where it formerly rested, upon the principal, it having parted with the control of the situation? I apprehend not."[83]

"The office not being a creation of the corporation by reason of any inability on its part to perform the duties involved, but being rather a system which custom and stock exchange rules have forced upon it, there is reasonable ground for query as to whether the agent, intervening as it does between the corporation and the public, does not stand for the corporation in its relation to the public, and itself assume the liabilities for a careful and responsible handling of the stockholders' interests, for over-issues, and fraudulent issues of stock, and for the many other forms of fraud, the liability of which would fall on the corporation did it perform these functions for itself. . . . In this state of the law, then, forecasts as to how the courts will act on this question when it comes up for direct decision are largely speculative; but the trend of decisions which touch the borders of the matter, and the application of established legal principles, would seem to indicate that the agent's liability to the interested public will be settled as is its liability to the corporation for which it acts; that the injured party may look successfully for reimbursement to either the agent or the corporation or both."[84]

Those who hold to the opposite opinion are quite as decided in their views, and are perhaps more numerous. Their position is stated by Philip S. Babcock, as follows ("Trust Companies" magazine, Vol. I. p. 39):

"I contend that the transfer agent is an agent, pure and simple; responsible for gross and wilful neglect, but in other respects simply repre-

83 Henry J. Bowdoin, Proceedings Trust Company Section 1896-1903, p. 188.
84 Charles A. Greene, in "Trust Companies" magazine, Vol. III, pp. 12, 13.

Digitized by Google

senting its principal; and any claims against the agent are properly answered by interposing the principal."

Speaking of the liability to the principal, Felix Rackemann says in Proceedings Trust Company Section American Bankers' Association, 1896-1903, p. 62:

"Lawyers and surgeons hold themselves out as competent and learned and skillful. Should either make a mistake from failure to properly apply some settled principle of his profession, he would be negligent. On the other hand, either might advise or act according to his best judgment in respect of some doubtful or unsettled point, and though in the end proved wrong, would not be guilty of negligence. So with the transfer agent. He is not an insurer and is not to be held to infallibility. He must, however, be cautious and vigilant. For an honest mistake in a matter where the law was unsettled, and in the absence of judicial determination fairly open to different opinions as to true construction, it is hardly conceivable that the transfer agent could be liable to the company."

The same writer says regarding liability to the public (page 66):

"There seems to be no ground whatever in the law for thinking that a trust company, acting as transfer agent, sustains toward the shareholder of the stock company any different legal relations than would exist between the shareholder and a small salaried clerk in the office of the company signing the same certificate as 'transfer clerk.' "

After calling attention to the fact that formerly this work was done by such transfer clerks, Mr. Rackemann continues:

"It was never suggested that such transfer clerk 'represented' anything or was legally liable to anybody, so he conducted himself honestly. . . . It would make no difference in the law whether the clerk under the old practice has signed himself clerk or agent. The only changes made under the modern system are that the word 'agent' has displaced the word 'clerk' and financial institutions of character and reputation have displaced the individual unfamed clerks. . . . The argument to the contrary must rest upon the theory that the signature of the transfer agent is to be treated as an authentication by one who has contracted with the company and impliedly undertaken with each investor that only true and perfect instruments shall be authenticated, and although it must be admitted that the agent's signature is required on the instrument, yet it must at the same time be remembered that the object of the added signature has not been to gain added authenticity. The necessity for the agency led to the signature. It was not the desire for the signature as an authentication which led to the agency. A railroad ticket is not good until the agent has put his office stamp and date upon the back. . . . If a ticket proves bad and be rejected, would it be claimed by any one that the agent was individually liable because he had 'authenticated' the ticket, or personally represented anything whatever about it in the act of stamping it? It is not easy to see any distinction between the two cases."

Mr. Rackemann adds that in his discussion he has been referring "Only to those cases where there is merely the signature of the trust company, and the words 'transfer agent.' It may well be that the addition

Digitized by Google

of some very simple and harmless-sounding words will lead to very important, further and different results." He particularly warns against the use of the word "countersigned," calling attention to the fact that "It has been held in at least two cases that the execution of an instrument under the word 'countersigned' was equivalent to a direct and positive representation, not only that each original signature was genuine, but that every legal formality essential to the full legal effect of the instrument had been duly observed and performed."

Methods of Safeguarding the Transfer Agent.

Whatever view may be taken of the situation, it is evident that it is possible that the liability of the transfer agent might be held greater than trust companies acting in that capacity intend it to be, and that wisdom would dictate the taking of all possible measures to prevent such a possibility. A committee on the subject appointed by the Trust Company Section of the American Bankers' Association reported (Proceedings Trust Company Section 1905, pp. 6 and 7): "While the trust companies do not admit that in acting as transfer agent or registrar they assume any such measure of responsibility as that suggested by articles read before the convention at various times, it would be desirable to eliminate absolutely the opportunity for any claim that the trust company serving in either capacity is liable save as an ordinary agent. Obviously, there are but two ways in which liability can be defined in advance; either by agreement between the principal and agent or by legislation. The latter was recommended in the article under consideration, since a statute would as clearly affect the investing public as the company issuing the stocks transferred or registered. The form proposed for New York was as follows: * * * (The trust company shall have power) 'To transfer, register and countersign certificates of stocks, bonds and other evidences of indebtedness of corporations, with liability to such corporations and to the owners or holders of such certificates of stock, bonds or other evidences of indebtedness solely for the negligence or wilful misconduct of its officers in reference to such certificates of stock, bonds or other evidences of indebtedness, or in the appointment or employment of its agents, clerks or employees dealing therewith.'

If in any state it shall not be possible or convenient to obtain legislation of the character indicated then such protection as may be afforded by the adoption of appropriate endorsements is recommended."

The form of endorsement, or certificate of transfer agents, recommended in this report has already been given.[85]

Other forms of protection that have been suggested are the taking of bonds of indemnity in doubtful cases, the making of special contracts for the agency and notifying all transferees of such contract, and having the transferees subscribe to the by-laws of the issuing company in cases where such by-laws define the responsibility of the transfer agent.

85 Page 414.

Digitized by Google

The following "Suggestions about Stock Transfers" issued by the Old Colony Trust Company of Boston, and used here with its permission, contain valuable hints regarding the conduct of this business:

"Suggestions About Stock Transfers.

1. Signatures of stockholders on stock transfers, when unknown, must be verified in some way satisfactory to the transfer agent. This will usually be by guarantee of some member of the Boston Stock Exchange or some well-known bank, or by acknowledgment before a notary public.

2. If the holder's name is rightly given on the face of the certificate, he or his duly authorized attorney should sign the transfer exactly as the certificate is made out, without alteration or enlargement.

3. If an error was made in issuing the certificate, the transfer agent should be informed of the facts. Do not make corrections on the face of the certificate. If the assignment is filled out erroneously, alterations should be made in ink only, leaving the original writing legible. Do not use erasers of any sort.

4. Enter in the transfer space on the back of the certificate the full name of each person to whom the stock is to be assigned, writing out the number of shares to be so transferred, and the street or post-office address of the transferee. It is more convenient to leave the attorney space blank, if one is provided.

5. In transferring to individuals, use the full Christian name; and, if the transferee be a woman, the title "Miss" or "Mrs." Avoid using diminutives.

6. In transfers to a married woman, use her own Christian name, not her husband's. In case of a change of name by marriage, send the stock certificate to the transfer agent with the transfer filled out to the correct name, signed after this manner,—"Mrs. Mary James, formerly Mary Jones," having the signature properly verified.

7. Assignments to a corporation or association should give the complete legal title.

8. Certificates issued to a minor or an insane person should bear the guardian's name; for example, "John Jones, minor (or incompetent), under guardianship of Henry Jones." If a transfer is desired of stock so held, a recently certified copy of the guardian's appointment should be shown, together with the license of the court appointing the guardian, if such license is necessary under the laws of the state having jurisdiction. Termination of the guardianship should be shown by a certificate from the court, birth certificate, or other satisfactory evidence.

9. On certificates issued to trustees the trust must be fully described, exact reference being made to the will or other document creating the trust; and, whenever possible, the name of the beneficiary should be given.

10. Transfers by trustees, where a power of sale is not granted by the instrument creating the trust, cannot be made without license from the court or the consent of all the beneficiaries. In every case the instrument creating the trust and proper evidence of the trustee's appointment should be exhibited. If there is more than one trustee, all must sign transfers.

Digitized by Google

11. Transfers made by administrators or executors must be accompanied by a recently certified copy of court appointment. When made by executors or adminstrators with the will annexed, of estates which have been in probate over three years, a certified copy of the will should be shown. If there is more than one administrator or executor, a majority should sign.

12. Trustees, administrators, executors, guardians, and attorneys should not transfer to themselves individually; nor should husband and wife transfer directly from one to the other, unless such transfers are authorized by the laws of the state when the transfer is signed.

13. Transfers from corporations or associations should be executed by their officials duly authorized for the purpose, and accompanied by a certified copy of the vote or by-law authorizing the transfer. Such vote or by-law should be certified to by an official other than the one signing the transfer.

14. Transfers by attorney must be accompanied by the original or a notarial copy of the power of attorney, and evidence should be given that the signature is genuine. Powers of attorney can be recognized only when the intent of the maker to authorize transfers is beyond doubt, and when the power is recent, or is shown to be still in force.

15. Papers left for record in connection with transfers by trustees, executors, etc., will be returned.

16. Prompt notice of any change of address should be given the transfer agent in writing, stating the name of the company in which stock is held.

17. If a certificate is lost, file notice to that effect with the transfer agent at once, giving, if possible, the certificate number and number of shares.

18. In transfers of stock in Massachusetts corporations by foreign executors, administrators, or trustees, evidence should be furnished that the transfer is not liable to the Massachusetts collateral inheritance tax, or that such tax has been paid.

The foregoing suggestions are subject to change, and should be considered for guidance only."

The following general rules written by Frederick Vierling, Trust Officer The Mississippi Valley Trust Co. of St. Louis, also contain valuable suggestions:

"General Rules for Issue of Certificates of Stock.

(1) To a man, issue in his name, giving his first name in full and not merely his initial; (2) to two or more persons, issue in their full names, unless a firm; (3) to a woman, issue in her name, giving her first name in full—and make record as to whether she is married or unmarried—the issue to a married woman to be in her own name and not that of her husband: i. e., Evelyn M. Blank, not Mrs. Frederick Blank; (4) to a co-partnership, issue in firm name; (5) to a corporation, issue in corporate name—first requiring proof that corporation is authorized to hold shares in issuing company; (6) do not issue to any sole or joint fiduciaries acting under order of court, unless they first

Digitized by Google

produce certified copy of order of court showing their authority to take and hold shares; (7) do not issue to any sole or joint fiduciaries acting under written instrument, unless they first produce the instrument or a certified copy, and unless under the instrument or the law relating to such trusts they have authority to take and hold the shares—if a recorded instrument keep reference to record, and if not recorded require certified copy for files; (8) do not issue to a fiduciary or to fiduciaries merely as such (as A. B. trustee), but issue to an authorized sole fiduciary or to joint fiduciaries in their names in full, followed by full designation of their trusts—i. e., A. B., administrator of estate of C. D., deceased; A. B., executor under will of C. D., deceased; A. B., guardian of C. D., a minor; A. B., trustee for C. D., under will of E. F., deceased; A. B., trustee for C. D., under indenture of trust with him dated March 1, 1907; A. B., agent for C. D., under agency agreement with him dated March 1, 1907; (9) no certificate should be issued to any fiduciary, unless appointed by order of court or in writing.

General Rules for Transfers of Certificates of Stock.

(1) Require surrender for cancellation of outstanding certificate representing shares to be transferred; (2) require execution of assignment and power of attorney on back of certificate to be transferred or have properly executed form attached, the signature or signatures to be in the exact name or names as written on face of certificate, and must be by the principals themselves or by their legal representatives formally appointed by order of court or in writing; (3) if signature to assignment is not known, require same to be acknowledged before a notary public, or better still, have it guaranteed by some responsible person or persons who are known; (4) require assignment of certificate issued to a firm to be executed in the name of the firm by a general partner; (5) require assignment of certificate by a corporation to be executed by its president or a vice-president under corporate seal, attested by its secretary or assistant secretary, and accompanied by a certified copy of by-laws showing authority of officers or certified copy of resolution of its directors authorizing the officers named to assign certificates; (6) where there are joint fiduciaries, require all of the acting fiduciaries to join in the assignment; (7) where assignment of certificate is by a fiduciary or fiduciaries acting under order of court, require certified copy of order of court giving authority to make transfer; (8) where assignment of certificate is by a fiduciary or fiduciaries acting under written instrument, require production of instrument and examine carefully and see if authority to make trsnfer is clearly given, and if not require in addition order of court authorizing the transfer and place certified copy on file—if the instrument is recorded, keep reference to record and if not recorded require certified copy for files; (9) require proof that any fiduciary making an assignment of a certificate is at the time still acting

Digitized by Google

as such fiduciary; (10) transfers by fiduciaries to themselves should not be allowed, unless at the time they are sole beneficiaries of the trust and the trust is terminated, or unless specifically authorized by order of court or terms of instrument creating the trust."

For a fuller discussion of this subject, see list of articles given in note at heading "Liabilities as Transfer Agent."

Duties and Liabilities as Registrar of Stock.

The duty of the registrar of stock is to register, or record the issue of, certificates of stock after they have been issued by the transfer agent, for the purpose of preventing an over-issue of such stock. Before assuming its duties the registrar must be furnished with authentic information as to the total amount of stock authorized to be issued, if none has been issued; or as to the total amount of stock authorized to be issued and the amount outstanding, if part or all has been issued. After the total amount of shares authorized to be issued have been registered, new certificates are not registered except upon the cancellation of outstanding certificates for the same number of shares.

As stated by Felix Rackemann, in Proceedings Trust Company Section 1896-1903, p. 73, "In practice the registrar keeps its registry list, and as stock is transferred by the company or its transfer agent it receives in each case the old certificate as surrendered and the new certificate as prepared to take its place, it compares the two, it notes upon its registry list the surrender and cancellation of the old and the issue of the new in substitution, and it thereupon identifies the new certificate by its signature upon its face as a part of a stated authorized issue."

Upon its face this is an exceedingly simple operation, involving no greater responsibility than a guarantee that the certificate has been issued in regular form by the transfer agent and that the outstanding registered stock of which it represents a part does not exceed the total authorized issue. This is the limit of responsibility which a trust company in assuming the office of registrar intends to assume, and which many think the courts will rule it actually does assume. Yet there are a number of lawyers and trust company officials of experience who incline to the opinion that as in the case of the transfer agent, the courts may, when a case actually comes before them, hold the company acting as registrar to liability for incidental and implied obligations which it has not intended to assume—some going so far as to believe that "The duties and liability of a registrar do not differ in any marked degree from those of a transfer agent."[86]

As to the historical origin of the office of registrar and the original and present purpose of its employment, there seems to be no disagreement. The practice of employing registrars was a result of the disclosure in 1863 of the "Schuyler Frauds," in which Robert Schuyler, who was president and also transfer agent of the New York and New Haven

86 Henry J. Bowdoin, Proceedings Trust Company Section 1896-1903, p. 194.

Digitized by Google

Railroad Company, fraudulently over-issued the stock of his company. As a safeguard against such frauds in the future, the New York Stock Exchange, in January, 1869, adopted a rule requiring all active stocks to be registered by an agency approved by it. "The danger of over-issue was, therefore, the single operating cause. To guard against such danger was the single object of the Stock Exchange rule, and of the subsequent practice adopted in compliance with that rule." (Rackemann, as above, p. 72.)

It is evident that the function of the registrar could not in any case be exercised, as the function of the transfer agent could be, by the issuing corporation. The very nature of the office requires the services of a person or corporation entirely distinct from the company whose stock is to be registered.

The liabilities involved are at the present purely a matter of opinion, as there is practically no law on the subject. The position of those who believe that the liabilities involved may be considerable is illustrated in the following passage (Bowdoin, as above):

"Since the function to be performed by the registrar, which it holds itself out as competent to discharge, is that of a check against the transfer agent, in guarding against an over-issue of stock, it becomes necessary for the registrar to scrutinize all transfers, since the issue of a certificate, except against one legally cancelled for the same number of shares, would necessarily result in an over-issue. This duty the registrar impliedly, by its acceptance of the office and fee, agrees to discharge. Obviously, if the registrar certifies the issuance of a certificate, thereby placing upon it the last and highest indicia of validity, and loss results to the principal therefrom, the registrar has failed to fulfill the purpose of its appointment; if, by such action, loss enures to a stockholder whose property rights have been wrongfully divested thereby, cannot such stockholder recover from the registrar, the signature of the latter in acceptance and approval of the evidences of the transfer being essential to the transfer and being the last act in consummation of the transaction by which the stockholder is injured? In the absence of an expressed agreement limiting the liability of the registrar, it would seem that the acceptance of the office carries an acceptance of responsibility for failure to properly perform the functions of the office, and that unless such limitation of liability is brought to the knowledge of the stockholder, and of those who may from time to time become such, the acceptance of the office would also imply an acceptance of responsibility for all acts of the registrar whereby the stockholder is wrongfully deprived of his property interest in the stock. Here again the case against the registrar is strengthened by the quite customary regulations of stock exchanges requiring the signature or counter-signature of a registrar as essential to the validity of the certificate."

Referring to the fact that the word "Registrar" appears in the opinion of some to be the equivalent of "Guarantor," Mr. Rackemann says (as above, p. 72):

"It is certainly a matter calling for consideration, because a popular notion, or conviction, though erroneous, is yet quite apt to have its natural

Digitized by Google

effect upon the judicial mind," and he suggests the avoidance of the word "Registrar," suggesting in its place "Agent to Register Transfers."

He says further (p. 74, as above):

"If the registrar of stock by the registration, makes a continuing representation to the public that the stock is valid and properly issued, or even within the authorized limit, the registrar is of course concerned to know that each transfer is properly made and not merely that a former stock certificate is mutilated in the process known as cancellation. Because it may well be that a stock certificate, mutilated in cancellation to the satisfaction of the most fastidious, would still remain as a matter of law a perfectly valid stock certificate upon which the shareholder named therein would continue to have all original rights and claims. . . . Should the transfer agent, therefore, accept an old certificate and 'punch' it in cancellation without the authority properly given by the true owner, it would not be cancelled, and any stock certificate put out by the transfer agent in its place would be an over-issue, and the registrar, in signing the new certificate, would be registering over-issue stock."

Answering his own question, "What does such registration mean?" Noble B. Judah says (Proceedings Trust Company Section 1904, p. 85):

"To my mind, the answer to this question is that such registration means and intends more than simply that the trust company, as agent for the company the stock of which is registered, has written some words on the certificate. It has been said in the past that the trust company simply acted as the agent for the other company, from time to time, in registering the respective certificates; and it seems to have been assumed, sometimes at least, that the trust company was under no responsibility to the person taking the registered certificates; but the company whose stock is registered has, if its affairs are honestly administered, no need on its own part for such registration. Obviously the chief purpose is to give the purchaser of the stock to understand that a third and disinterested party is looking after the stock issues. I do not doubt that the courts of some of the states, at least, will so hold. As soon as it is admitted that the registration is procured for the purpose of influencing third parties, it is very necessary that their rights be considered, for in such case there will be, sooner or later, decisions holding the registrar to financial responsibility."

That there are many who do not agree with these views is shown by the practice of different companies in the method of conducting the work of registration, and by opinions expressed in printed articles. Thus, Willard V. King says ("Trust Companies," Vol. 2, pp. 416-418) that "We all do in New York" register stock "without looking into the formality of the transfer." Referring to the contention that if the transfer agent improperly cancelled a certificate and issued a new one the shareholder whose stock was illegally transferred could compel the transfer agent to reissue to him the shares illegally taken from him, thus producing an over-issue, he says:

"But the answer to this is that the transfer agent, if compelled to make good in such a way, would go into the market and buy the necessary shares and cancel them in order to make the required issue to the ag-

Digitized by Google

grieved stockholder. He could not issue them out of hand. It is quite inconceivable that there should be at any instant more stock outstanding than the corporation had authorized, the proper hypothesis being that the transfer agent (assuming that his guilt has been proved) is 'short,' just exactly like a speculator who has sold what he does not own, and is put to the necessity of buying the wherewithal to fulfill his obligations. There would be no over-issue at any stage of the proceedings, and therefore nothing for the registrar to concern himself about."

Again, he says:

"Moreover, on examination of the details of the procedure it will be found that the registrar has not the facilities for proving the propriety of the assignments. When a new stock certificate is delivered, the transfer agent takes the receipt, which in many cases is the only specimen on file of the new stockholder's signature. To this the transfer agent can refer by way of added verification of that signature when in the course of time the certificate is presented for transfer; but the registrar has not access to it. Powers of attorney, probate certificates, copies of deeds of trust, and other papers showing the authority of various persons to execute assignments of stock, are lodged with the transfer agent; and to suppose that the registrar must keep a duplicate file, or must examine the papers already accepted by the transfer agent, and require a second examination by counsel of the doubtful cases, is quite absurd."

Mr. King objects to the phrase "Countersigned and registered" on certificates, "because the word 'countersigned' is likely to imply something in addition to 'registered.'"

The remedies proposed by those who think the situation serious enough to justify caution are practically the same as those already explained for the protection of companies acting as transfer agents. Even those who hold to the opinion of limited liability agree that it is important to exercise great care in the form of the Registrar's certificate. The Committee of the Trust Company Section, American Bankers' Association, already mentioned, recommends[87] either of the following forms:

"Registered this ..... day of .....
.....Trust Company, as Registry Agent."

"Registered this ..... day of .....
.....Trust Company, as Registration Agent."

The duties and liabilities of trust companies as registrars of stock are more fully discussed in the list of articles given in the note to the heading, "Liabilities as Transfer Agents."

Trustee Under Bond Issues.

When one wishes to borrow upon mortgage security a comparatively small amount, such as he may obtain from a single lender, the loan may be negotiated upon a single note and mortgage. If, how-

87 Proceedings Trust Company Section 1905, p. 7.

Digitized by Google

ever, a corporation wishes to borrow a sum running into hundreds of thousands or millions of dollars, it must look to a number of different investors to furnish the money, and must supply a corresponding number of notes or evidences of indebtedness, each of which must be secured by mortgage. It is manifestly impracticable to furnish each investor with a separate mortgage; and hence there has grown up the custom of issuing a single mortgage securing a number of separate notes or bonds, of amounts (usually $1000 or $500) which are within the reach of the average investor. It then becomes necessary to select some one person or corporation to whom, as trustee, the mortgage may run in trust for the several bondholders, and who may identify the bonds issued upon the security of such mortgage. For these trusteeships the trust company has manifold qualifications, and has come to be generally used. What are its duties and liabilities when acting in this capacity?

In the simplest case of such a trusteeship, if the issuing corporation meets its obligations promptly and regularly, the duties of the trustee may be no more than the holding of the mortgage as trustee, the certification of the bonds, and, at maturity, the satisfaction of the mortgage and cancellation of the bonds. In many cases, however, the duties of the trustee at the outset and during the life of the bonds are more extensive, while in any case the failure of the issuing corporation to comply with the terms of the mortgage will impose added burdens upon the trustee.

When the trust has been accepted the mortgage conveying title to the trustee in trust for the holders of the bonds is recorded, the seal of the corporation and the signatures of its proper officers are placed upon the bonds, and the latter are delivered to the trustee for certification. Before the mortgage is executed or the bonds engraved both documents should be submitted to the trustee for examination and approval by its attorney. He should see to it that the descriptions of the property to be mortgaged are definite and plain, and that the duties, limitations and liabilities of the trustee are set forth in the mortgage clearly and fully. Upon receipt of the bonds the trustee examines each bond with care to see that all are in complete condition, properly signed and sealed, that the number of the bonds is correct and that their wording is according to the form which should be given in full in the mortgage. Having satisfied itself of these things, the trustee has its secretary sign the trustee's certificate on each bond, and is then ready to deliver the bonds according to the provisions of the mortgage.

The conditions to be inserted in the mortgage for the definition of the trustee's liability demand careful thought. The following are suggested by a Committee of the Trust Company Section, American Bankers' Association,[88] and will be found very useful as guides:

"As a condition precedent to the acceptance of the said trust by the trustee it is further stipulated and agreed by and between the parties

88 Proceedings Trust Company Section 1905, pp. 7-9.

Digitized by Google

hereto and all present or future holders of bonds secured by these presents, that the trustee shall not be answerable for any act, default, neglect or misconduct of any of its agents, representatives or employees, by it appointed or employed in connection with the execution of any of the said trusts, nor in any other manner answerable or accountable under any circumstances whatsoever, except for gross negligence or bad faith; that the recitals contained herein, or in the bonds, as to priority of lien, due authorization or any other matter whatsoever, are made by and on the part of the company, and the trustee assumes no responsibility for the correctness of the same; also, that it shall be no part of the duty of the trustee to file or record this indenture, mortgage, deed of trust, assignment or other instrument whatsoever that may be delivered to it under the terms of this instrument as a mortgage, deed of trust or conveyance of real estate, or as a chattel mortgage or conveyance of personal property, or to renew such deed of trust or mortgage, real or personal, or to procure any further, other or additional instrument of further assurance, or to do any other act which may be suitable and proper to be done for the continuance of the lien or charge hereof, or for giving notice of the existence of such lien or charge, or for extending or supplementing the same; nor shall it be any part of its duty to effect insurance against fire or other damage on any portion of the premises or property hereby mortgaged, or to renew any policies of insurance, or to keep itself informed as to the payment of any taxes or assessments, or to require such payment to be made; but the trustee may do any or all of these things.

The trustee shall not be compelled to take any action as trustee under this mortgage unless first properly indemnified to its full satisfaction, nor shall it be chargeable with notice of any default on the part of the company except upon delivery to it of a distinct specification in writing of such default by some person or persons interested in the trust, whose interest, if the trustee shall require, must be proved to the reasonable satisfaction of the trustee.

In case at any time it shall be necessary and proper for the trustee to make any investigation respecting any fact or facts preparatory to taking or refraining from taking any action, or doing or not doing anything, as such trustee, the certificate of the company under its corporate seal, attested by the signature of its president or secretary, or the affidavit of one or more directors, shall be conclusive evidence of such facts to protect the trustee in any action or position that it may take or assume by reason of the supposed existence of such facts.

It is further covenanted and agreed that the trustee under this deed of trust is, and shall be, entitled to reasonable compensation for all services rendered hereinunder, or in connection with the trust, which compensation, together with any and all necessary and reasonable expenses, charges, counsel fees and other disbursements incurred by the trustee in the discharge of his duties as such, shall be paid by the company or out of the trust estate upon which they are hereby made a lien and charge superior and prior to those of the bonds secured hereby.

The trustee shall be protected in acting upon any resolution, notice, request, consent, certificate, affidavit, voucher, bond or other paper or document believed by it to be genuine and to have been passed or signed by the proper party.

Digitized by Google

Every trustee hereunder may at any time resign from the trust by mailing, at least sixty days before such resignation shall take effect, a duly addressed notice in writing to that effect to the company, and to all bondholders who may be known to the trustee to be such, and whose addresses shall likewise be known to it."

The form of the trustee's certificate should likewise be worded with care to avoid the incidental assumption of responsibility which the trustee does not intend to assume. For example, it has been held that the statement in the certificate that the bond is "secured" by the mortgage therein referred to may commit the trustee to a guaranty that the bond actually is secured. The committee already referred to suggests the following form for the trustee's certificate:

"It is hereby certified that this bond is one of the series of bonds mentioned and described in the mortgage or deed of trust herein referred to.

————————————Trust Company, as Trustee,
By ————————————Secretary."

The provisions for the delivery of the bonds after certification vary greatly. Sometimes all of the bonds are to be delivered to the issuing corporation at once upon the recording of the mortgage; often some of them are to be withheld to take care of underlying bonds, or, as in the case of a railroad construction mortgage, the bonds are to be delivered in installments as the work progresses. Occasionally the entire issue is to be held in the custody of the trustee until the completion of certain work, or the fulfillment of certain conditions. When any conditions are attached to the delivery of the bonds, the mortgage should be absolutely clear as to the conditions, and should specify the evidence to be required that such conditions have been fulfilled. The responsibility of the evidence is ordinarily put upon the issuing corporation, the trustee being liable only for the exercise of good faith.

After delivery of the bonds the trustee may be called upon to perform various duties, depending upon the terms of the mortgage and the character of the property. If provision is made for the accumulation of a sinking fund, the trustee may have divers duties in that connection. The trustee's powers may include that of releasing portions of the property from the lien of the mortgage. In the case of collateral trust bonds—which are practically long-time collateral notes—the mortgaged property consists of bonds and stocks, and the trustee may be called up to pass upon securities offered in substitution. Outside of its regular duties as trustee, the trust company may perform various services as fiscal agent.

The management of a sinking fund involves varying degrees of responsibility. Often the funds received are to be used for the retirement of a certain number of the outstanding bonds each year, according to the provisions contained in the mortgage which secures the bonds. Sometimes the particular bonds to be retired are selected by lot, and the result is advertised in the daily papers. Whether they are presented

Digitized by Google

for redemption or not, they cease to draw interest at the period advertised. The bonds thus redeemed are often not cancelled, but are held by the trustee under the mortgage, and interest on them is added to the sinking fund for the further purchase of bonds. In the absence of provision for the retirement of bonds as above stated, they are sometimes to be purchased in the open market from the sinking fund. Occasionally the sinking fund is to be invested in other securities, either according to stipulated conditions or at the discretion of the trustee or the directors of the corporation.

In case of default by the issuing corporation the trustee may find it necessary to foreclose the mortgage and sell the property. Not infrequently various interests among the bondholders institute proceedings which of necessity involve the trustee and add to its duties; and in any case the trustee is obligated, within the limits which should be carefully laid down in the mortgage, to protect the interests of all bondholders alike. If a receiver for the corporation is appointed, and application made for the issue of receiver's certificates to be prior in lien to the bonds, the trustee for those bonds should, through its attorney, appear in court and look after the interests of the bondholders, either favoring or opposing the issue of receivers' certificates as the welfare of the holders of the bonds may dictate. For all special services the trustee is of course entitled to reasonable compensation, the fees agreed upon at the start covering only the routine duties, of which the chief is the certification of the bonds.

Regarding the liability incurred in the certification of bonds there are some differences of opinion, which concern chiefly the moral rather than the legal responsibility of the trustee. So far as the trustee is concerned the certification is intended for no more than the identification of the bonds as being the particular bonds referred to in the mortgage or deed of trust to which reference is made in said bonds. The trustee does not undertake to guarantee anything regarding the value of the property alleged to be behind the issue, regarding the title to the property, or regarding the regularity of issue, validity or priority of lien of the mortgage. It merely certifies that it has in its possession as trustee a mortgage issued by the corporation whose name appears therein, that the bond upon which its certificate appears is genuine, is one of the bonds referred to in the mortgage, and that the number of such bonds certified by it is not greater than the number called for in the mortgage. In other words, the certificate intends only to identify the bonds and to prevent an overissue of them.

Notwithstanding this very limited legal liability undertaken by the trustee, the company which accepts such trusts without a reasonably careful investigation runs the risk of having its reputation, and incidentally its business, seriously injured; and most companies recognize that their moral responsibility to the public requires care lest their names be allowed to appear in any connection with enterprises regarding the legitimacy and good faith of which there appears to be any question. There

Digitized by Google

is of course no obligation on the part of the trustee to feel assured that the enterprise will be successful; that is a risk which the investor must take for himself, and besides, it may well be that enterprises which do not look promising to the trustee may meet with great success and be exceedingly profitable to the investors. But if an undertaking proves to have been from its very inception a "fake," the trust company whose name appears upon the bonds as trustee is very certain to suffer in public estimation, no matter how innocent of wrong intention it may have been.

The degree of care exercised and the particular matters investigated before accepting an appointment of this kind of course vary with different companies. Some do no more than satisfy themselves that the undertaking is legitimate and that the men behind it are acting in good faith. They argue that for the meagre compensation received they can afford to do no more, that they are living up to the full measure of their contract; and further, that their doing more would tend to mislead the public. Those who go to the other extreme take pains to verify the correctness of everything leading up to the bond issue, though not admitting legal responsibility for such verification. They satisfy themselves that the issuing corporation actually owns property which may be mortgaged (but do not attempt to pass upon the value of such property); that the title to the property is good; that the company has been properly incorporated and that its acts leading up to the bond issue have been legal; that the mortgage is properly drawn, contains no glaring faults and actually covers the property which it purports to mortgage. If it is stated in the bonds that the mortgage is a first mortgage, they take pains to ascertain that such is the fact. An instance of extreme care in this matter is found in the following list of papers required, prepared by Frederick Vierling, Trust Officer of The Mississippi Valley Trust Co., St. Louis, for the guidance of his company:

"List of papers to be furnished Trustee *in re* Bonds to be issued; all papers to be certified under seal of Company. Copies of official documents need not be certified by State officials, if Company certifies under seal that same are true copies of official documents and certificates thereto.

1. Articles of Association.

2. Certificate of Incorporation.

3. All amendments to either of above, and minutes and documents *in re* changes of capital stock, or, if there have been no amendments, certificate to that effect.

4. By-laws of Company.

5. Minutes of stockholders electing present directors, with all exhibits. Attach certified list of stockholders with number of shares each.

6. Minutes of directors electing present officers, with all exhibits.

7. Certificate containing specimen signatures of officers who will sign mortgage, bonds and coupons.

Digitized by Google

8. Minutes of stockholders authorizing mortgage, bonds and coupons, with all exhibits.

9. Minutes of directors approving action of stockholders in authorizing mortgage and bonds, with all exhibits attached.

10. Opinion of attorney of Company as to its legal incorporation and existence and that proceedings authorizing mortgage, etc., were duly had according to law, also that form of mortgage, bonds and coupons are valid in form and when duly executed will be legal and binding obligations of Company.

11. Certificate of title of regular abstractors showing that mortgage has been duly filed for record and is first lien on all property; or in lieu, an abstract of title with opinion of attorney based thereon to like effect.

12. Affidavit of President and two Directors of Company showing that property mortgaged at fair and reasonable value is at least as much as amount of bonds forthwith to be issued.

13. General inventory of tangible and intangible property, each separate.

14. Financial statement of Company, showing assets and liabilities. Also, statement of earnings and expenses per year for past five years.

15. Agreement of Company at least annually on demand of trustee hereafter to send statement as in No. 14 and to furnish additional inventories, as in No. 13 on demand of trustee.

16. If principal owners of Company are not known to trustee, letters from responsible persons who are known, identifying owners.

17. Letter from banker of Company as to its reputation for financial responsibility, etc.

18. Certificate showing fact that each bond signed by officers of company and the seal attached is signed in genuine handwriting of officers purporting to have signed same and that seal affixed is the corporate seal of the company.

19. Copies of all existing franchises of company with certificate showing that all payments thereunder required have been made and that other conditions thereby required of company to be kept have been performed.

20. If mortgage has no specific provisions for delivery of bonds by trustee after authentication, resolution of directors authorizing certain officer or officers of company to receive bonds with specified coupons and give proper receipt.

21. Copy of underlying mortgages with certificates as to outstanding bonds issued thereunder."

Between the extremes there are companies which assume varying degrees of moral responsibility. Those who incline to put considerable stress upon the matter of the moral responsibility point to the fact that, however unjustified it may be in so doing, the public does actually attach

Digitized by Google

a great deal of importance to the trustee's certificate, and that the certificate of a reputable trustee is a prerequisite to the satisfactory financing of a bond issue. It is a frequent occurrence for the bond seller to clinch his argument with the statement that the Blank Trust Company, a reputable concern, is trustee for the issue. Some companies, in their advertisements for this kind of business, point to the advantages, other than the identification of the bonds, gained by their trusteeship. For example, a large Eastern company says in a circular, "It adds very largely to the value of bonds issued by any corporation, that the proposed purchaser knows that the trustee named in the mortgage, which secures the payment of the bond he intends to buy, is a responsible corporation, which before assuming to act has through its counsel investigated the forms of the bond and mortgage and determined the validity of the proceedings of the corporation which issued them. This relieves him from the necessity and expense of making such an investigation himself, and he is only obliged to determine in regard to the business value of the security itself."

While opinions differ greatly, as already stated, the tendency appears to be towards greater care in accepting appointments as trustee under a bond issue. "In recent years the trust companies have shown a tendency, when acting as mortgage trustees, to recognize a greater moral responsibility than they at first were willing to bear. * * * A trust company which should now allow the issue of unsecured bonds because of some glaring defect in the language of the mortgage, would no longer be morally excused by financial opinion, though perhaps held technically innocent."[89]

It would seem to be to the interest of all concerned that the trustee's compensation be made large enough to enable it, not to guarantee the validity of the mortgage, but to be responsible for ordinary care in ascertaining that the mortgage has been regularly issued by a properly incorporated company, is a lien on property to which that company holds clear title, and contains reasonable provisions for the protection of bondholders—in short, perform for the bondholders the services which the careful investor might expect of his lawyer, leaving to the bondholders the risk as to the business success of the undertaking, together, of course, with the risk of legal defects in the instruments which ordinary care on the part of the trustee has not detected. Such a course would not only be a protection to the investor, but would add more than its cost to the value of the bonds, and would compensate the trustee for the taking of a moral risk for which under present conditions it certainly is not paid, but the taking of which many think it cannot wholly avoid.[90]

---

89 Thomas L. Greene, "Corporation Finance," pp. 59, 60.

90 For detailed discussions of this subject, see

Proceedings Trust Company Section 1896-1903, pp. 17-25, Paper by Francis S. Bangs; pp. 44-46, Paper by William A. Carr; pp. 221-227, Paper by Andrew Squire.

Proceedings Trust Company Section 1904 pp. 73-88, passim. Discussion of topic "Fees for Trust Company Work."

Digitized by Google

The Payment of Coupons.

As agent for the payment of coupons, either in connection with a bond trusteeship or independently thereof, the trust company receives in advance a remittance equal to the total amount of the coupons due and payable at the next interest period. At and after maturity it pays the coupons as presented, preferably by check, though they are paid in cash when necessary.

Although coupons are payable to bearer, record is made of the names of the persons who present them at the counter, and of the names of the banks who present them through the clearing-house. Separate accounts are kept of the coupons of each interest period, and a record is kept of the numbers of the bonds from which the coupons are cut. The paid coupons are cancelled by the punching of holes in them, and are filed away by bond numbers. At stated intervals—sometimes once a month—these cancelled coupons are returned to the issuing corporation, which receipts for them. Statements of the accounts are sent at suitable intervals. Often the coupons are payable at the office of the trustee of the bond issue and also at the office of a fiscal agency in New York, Chicago or other large center. Ordinarily the duties and liabilities are clearly defined, but the default of the issuing corporation may involve the trustee in perplexing problems. One of these, which is as yet not fully decided by the courts, is whether funds remitted for the payment of coupons are to be considered a trust fund for the coupon holders, or as a part of the general assets of the corporation. The question does not, of course, affect coupon funds derived from particular sources whose revenues have been set aside for the payment of coupons. Other problems which may arise are the question of priority between coupons and principal when a mortgage is foreclosed, the question as to whether defaulted coupons should bear interest, and the question of missing coupons when the corporation wishes to have the mortgage discharged.

The work of paying interest on registered bonds differs from that of paying coupons chiefly in that the interest is remitted to the security holders instead of being held subject to their call. The fiscal agent is supplied with the necessary funds, and, unless it is itself the registrar of the bonds, with a list of the registered bondholders, their holdings and addresses. A check for the amount of his interest is mailed to each registered bondholder.

Trust companies act in a number of other capacities as fiscal agent for corporations, either receiving or disbursing funds, or both. The exact duties involved are of course as varied as the kinds of agency, but are usually pretty well defined by the contracts; while the liabilities are determined by the ordinary laws of agency.

Proceedings Trust Company Section 1905, pp. 7-9. Report of Executive Committee.

"Trust Companies" magazine, Vol. I, pp. 279-282, article by William J. Field.

"Trust Companies" magazine, Vol. II, pp. 634-635, article by John H. Connellan.

The "Banking Law Journal," Vol. XXI, p. 841, Decision New York Supreme Court.

Digitized by Google

Escrows.

In its simplest and most common form an escrow is a deed placed by the grantor in the hands of a third party, to be delivered to the grantee upon the fulfillment by the latter of certain specified conditions. Instruments other than deeds may be placed in escrow; as, for example, a mortgage or a note, but it must be an obligatory instrument or an instrument under seal. In addition to escrows in the strict legal sense, however, trust companies are often made depositaries of various things of value which are to be held for delivery under conditions such that they may be considered informal kinds of escrows.

To be strictly an escrow the delivery of the instrument by the grantor to the third party must be absolute, beyond power of recall, and its delivery to the grantee conditioned only upon the performance by him of his part of the contract. Having performed the conditions, the grantee may if necessary compel the delivery of the instrument; and the death of either party will not void the contract or prevent delivery. In fact, it is held that an escrow, upon performance of the conditions, becomes an absolute conveyance or grant even if the instrument itself is not delivered by the holder. Hence if A leaves with a trust company a deed with instructions that it is to be held and later to be turned over to B upon A's order, the instrument is not an escrow, for its delivery is not dependent upon conditions to be fulfilled by B, and the company is not acting as the holder of an escrow, but merely as the agent of A.

The duty of the holder of an escrow is to deliver the instrument to the grantee upon his performance of his part of the contract, or to withhold the instrument if the contract be not fulfilled; the one obligation being as important as the other. The holder's liability is measured by the degree of his faithfulness to such duty. If he wrongfully deliver the instrument when the conditions are unfulfilled, he may be liable to the grantor; while upon fulfillment of the conditions, the grantee may compel delivery. It is evident, therefore, that a trust company in undertaking the holding of an escrow should be sure that the contract is clear and definite and is thoroughly understood by both parties. While an oral contract may in some cases be legal, the only safe rule is to have the contract in writing and signed by both parties. Particular care should be taken by the trust company to avoid accepting an escrow whose conditions are so vague that question may arise as to whether they have been fulfilled, putting the holder in the position of an arbiter of a question whose decision might be a matter of doubt. The holder might then find himself in a very unenviable position, liable to prosecution by either party; or, if not legally liable, at least incurring the ill-will of one or both of the parties.

Depositary Under Plans of Reorganization.

A common function of trust companies, especially in the larger cities, is that of acting as depositary of securities when a corporation is to be

Digitized by Google

reorganized or when two or more corporations are to be consolidated—the procedure being practically the same in the two cases. Here the depositary is practically the holder of escrows. In the case of a reorganization, the reorganization committee details in writing the plan proposed, and the security holder, by the act of depositing his securities, enters into the contract. Upon receipt of the securities the depositary issues temporary receipts, which are later replaced by engraved and negotiable certificates of deposit, after the depositary has had time to examine the securities to make sure that they are genuine and are "good deliveries." The exact wording of the certificates varies according to the conditions, but there is an exact description of the documents deposited, a reference to the agreement under which the deposit is made, a statement that the depositor assents to the agreement and that the depositary holds the securities subject to the provisions of such agreement. Each lot of securities as deposited is given an accession number corresponding to the number of the temporary receipt, and is filed away to await the progress of the reorganization. Whenever assessments are to be paid by or distributions are to be made to the depositors, the certificates are presented and endorsements of the transactions are made thereon. After the reorganization is complete and the new securities are engraved and ready for delivery, the depositors bring in their certificates of deposit and receive their proper share of the new securities.

Executor or Administrator.

The duties and liabilities of a trust company as the executor or the administrator of an estate do not differ in any wise from those of an individual acting in like capacity, and are quite definitely fixed by law. The employment of the trust company for such services is steadily increasing, and will increase more rapidly as the public becomes educated to the very superior qualifications of the trust company for this work.

An executor is a person or corporation appointed by the will of a decedent to carry out the provisions of such will; and his duties are in general to secure and preserve the assets of the decedent, to protect and pay creditors and to distribute the balance of the property as the will provides or the law dictates. The office is a sacred one, the executor standing as the representative of the deceased and the agent of the living—the creditors and the heirs. There is a personal element in the office which even a corporation cannot and ought not to overlook.

Appointments of trust companies as executors come most often from among those who have during their lives been customers in one or more of the departments, though others often make such appointments. The services of the company's attorney are usually offered without charge for the drawing of wills in which the company is named as executor, and the company takes charge of such wills also without charge. Upon the death of the testator, the first step is the probating of the will. The

Digitized by Google

court appointed by law to receive wills and have jurisdiction over the estates of the deceased is known in various states as the Probate Court, the Surrogate's Court and the Orphan's Court. After the probating of the will, the executor named therein qualifies before the court according to the state laws, and receives from the court letters testamentary, authorizing him to proceed with his duties. Then follow the gathering together of the assets, the filing of an inventory, the advertising for claims against the estate. The allowances of the widow or widower and the minor children, if any, are set aside; and if the estate is solvent, and funds are in hand, the preferred claims, such as expenses incurred during the decedent's last illness, funeral expenses, taxes, etc., are paid. The claims of other creditors are examined, and those which are allowed may be paid at once or deferred as circumstances dictate; but the executor is of course not protected in paying them unless the estate is evidently solvent. If the estate appears insolvent, the fact is reported to the court, and notice of the probable insolvency is published. A part at least of the personal property is usually to be converted into cash as soon as expedient. Real property may not ordinarily be sold unless the will expressly so provides or such sale is necessary to pay debts; and in the latter case an order of court is obtained. The executor renders statements to the court as circumstances or the law may require. When his work is practically complete with the exception of the final distribution of the property, a statement is rendered and an order from the court is obtained for the distribution of the balance in the hands of the executor. The latter then makes the distribution, files a final account and is discharged.

The procedure is practically the same in all the states, the differences being chiefly in matters of detail. Sometimes the trust company is one of two or more co-executors, the family lawyer often acting with the company. In such case the trust company usually keeps the accounts and is custodian of the securities, the duties of the other co-executors being chiefly advisory. The trust officer in charge of this work should be well versed in the law of administration, and often special legal advice is needed. Careful judgment is called for in many cases, and the skill of experienced trust companies has often saved large amounts for estates that were threatened with insolvency. Often where debts are pressing the company may make temporary advances of money, thus preserving the property. The passing upon claims is a task requiring judgment and a knowledge of the law. Care should be taken not to pay claims barred by the statute of limitations. All records and reports should be full and accurate and one point of the trust company's superiority for such work lies in its ability to attend to these matters with skill and care. Getting possession of the assets is sometimes a matter requiring tact and industry.

The duties of the administrator are very similar to those of the executor. The executor is appointed by the testator and his duties are usually detailed in the will. The administrator's appointment comes from

Digitized by Google

the court, and his duties are detailed in the laws of the state, except in the case of an administrator with the will annexed. As in the case of the executor, he is charged with the duty of gathering the assets, paying the debts and distributing the property. His distribution may be determined by the laws of descent instead of by the provisions of a will. The administrator is rarely charged with the sale of real property, and may not make such sale except on order of the court. An administrator is appointed when the deceased has made no will, or has made a will and appointed no executor, or when an executor has failed to qualify, refused to act, or died.

Trustee.

The trust company which is named as executor of a will is also often made trustee under the will; and in such case after its discharge as executor it continues the management of specified property in the capacity of trustee. Trusteeships under wills are also frequently received independently of executorships. The most common purposes leading to the creation of such trusteeships are the keeping all or part of the estate intact for the benefit of heirs and the endowment of some charitable or educational enterprise. The law limits the duration of trusts for the benefit of persons to the life of two persons in being and twenty-one years thereafter; but trusts for charitable purposes may be in perpetuity.

The duty of the trustee involves the entire management of the property entrusted to his care. The title is vested in him, and his first step is to obtain possession. He is held to diligence, intelligence and good faith in the exercise of his powers, and is responsible for failure to do things necessary to the good of the estate as well as for the doing of illegal or unauthorized acts. He must invest idle funds within a reasonable time and exercise care to make the income of the estate as large as is consistent with the entire safety of the principal. He is under obligation to examine the investments held by the estate when he assumes control, to see that they are safe and reasonably productive; and to dispose of any that appear unsafe or that are declining in value, as soon as may be expedient, but not so hastily as to cause loss thereby. He must, in short, do and refrain from doing things which a prudent man would do or refrain from doing with his own estate; save that he may not take the risks which even a prudent man might take with his own property, and he must follow to the letter any specific and lawful instructions contained in the will. In matters not covered by directions in the will, he is bound to know and to follow the provisions of the specific or general laws relating to his duties and limitations. The routine duties of the office ordinarily include the preservation and if possible the increase of the estate, the investment of funds, the collection and disbursement of income, and at the termination of the trust the final distribution of the estate according to the terms of the will.

Digitized by Google

Trusteeships under special agreement, taking effect during the grantor's life, may be undertaken for the same purposes for which testamentary trusts may be created—for any lawful purpose—and may be of the same duration. In case the trust becomes in force at once, the grantor may reserve the right to general oversight of the management of the property and the power to alter or revoke the trust instrument during his or her life, or the trust may be irrevocable. Trusts of this kind are created to establish a fund for charitable purposes, to provide for support of incompetent individuals or of individuals who do not wish to manage their own business affairs. Sometimes the trust is created by the grantor for his own benefit, to avoid care and responsibility. The variety of trusts of this character is increasing as the adaptability of the trust company to their handling becomes better understood. A plan that is growing in favor is that of appointing a trust company as trustee of the proceeds of life insurance policies. By this means the insured is enabled to direct the disposition of such funds after his death as he wishes, and at the same time place the funds in the hands of a company amply able to manage them in a business-like manner. The company collects and invests the proceeds of the policy or policies, and pays to the beneficiaries the income; or if the amount is not sufficient to provide the income needed for support of the beneficiaries, arrangement may be made for the payment of an annuity for a certain number of years, using the income and gradually reducing the principal. In order to keep the remaining part of the fund always invested, the trust may be given participation in a mortgage or group of mortgages. In the creation of such a trust, the trust company is named in the policy as beneficiary in trust for whomsoever the grantor may wish, and at the same time there is executed a deed of trust vesting title in the trustee and directing the use of the funds.

Another form of trust made possible by the development of the trust company is the accumulation of a fund for the purchase or building or maintenance of a home for the wife or children or other beneficiaries of the donor.

In a similar way, churches and educational or charitable institutions may choose a trust company as trustee for the accumulation and investment of an endowment or building fund, thereby being relieved of the care of the moneys and being assured of speedy and safe investment thereof. The trust company is able to invest the funds in small and odd amounts, interest included, by means of participations in mortgages or other securities.

The instrument creating a trusteeship by agreement specifies in detail the duties of the trustee, which may be much the same as those of a testamentary trustee.

Guardian, Conservator, Etc.

As guardian of the estates of minors, or conservator, committee or curator of the estates of the incompetent, the duties are similar to those

Digitized by Google

of testamentary trustee, though in many states the provisions of law, especially as to investments, are more stringent. In general, the guardian or conservator is obligated to preserve the property, to keep it on a safe income-producing basis, to use the income discreetly for the benefit of the ward, and at the termination of the trust to turn over the balance on hand. The guardianship of a minor is terminated when the ward becomes of age; that of a person of unsound mind terminates at death, or may be terminated if the ward regains his reason. The duties require an intimate knowledge of the needs of the ward as to living expenses, education, etc. Guardianship by trust companies is in most states limited to the estate, but in a few states may be either of the person or of the estate or of both. When of the person, the duties involve close personal supervision of the ward, as in the case of an individual acting as guardian. The guardian or conservator is under the jurisdiction of the court, and as in the case of the testamentary trustee makes frequent statements to the court.

The Investment of Trust Funds.

The investment of the funds held in trust in various fiduciary capacities is a matter requiring intelligent judgment. In most states the laws on the subject are quite fully developed both as to the investments authorized and those forbidden, and the first duty of the trust company undertaking such work is to thoroughly inform itself as to the laws of the state or states which govern in the case of each of its trusts. The executor and the administrator are not, as a rule, called upon to invest funds, their duties being rather to convert personal property into cash. Yet there are instances in which the court may authorize them to invest idle funds. On the other hand, trustees, guardians and conservators often find the investment of funds one of their principal duties.

The general principles governing such investments are well established. The fiduciary is plainly under the duty of making the estate produce an income, of keeping the funds invested and not allowing them to remain for an unreasonable length of time merely on deposit, even if drawing interest. Yet the security of the principal must be the first consideration, and the amount of income second. In most states the fiduciary may not take risks in the matter of investments that even a prudent man might take with his own money. Unless specific authority is given in the instrument creating the trust, the funds may not be invested in personal securities, in manufacturing concerns, in trade or business, or in speculation. Investments may not be made in unimproved real estate so as to tie up the funds for long periods. Any specific instructions as to investments in the will or other instrument creating the trust must be followed. The fiduciary may not derive profit from the investment of the trust funds.

In many states the classes of investments permitted are specified by the laws; and in such states the laws must of course be strictly fol-

Digitized by Google

lowed. In some states only general principles are laid down, while in several the matter is left to the discretion of the trustee. But in any case the investments are subject to the approval of the court; and the trustee may be compelled to make good the loss and pay interest if investments have been made which the court cannot approve. In determining what securities the court will approve, where the classes of investments are not specified in the laws, the fiduciary may often be guided by the classes of investments permitted for savings banks. It sometimes happens that classes of investments are specified for guardians, but not for trustees; in which case the latter may be guided by the rules laid down for the former. It is usually possible, and in the case of guardians often obligatory, to obtain an order of court authorizing certain investments. The most common forms of investments authorized are United States, state and city bonds and first mortgages on productive real estate, and where there is doubt these may be relied upon. The field is gradually widening, however, and some states specifically authorize other forms of investments, including loans on collateral, land, bank stocks and railroad bonds and stocks.

A fundamental principle is that investments of trust funds must not be mingled with the assets of the company, and the investments belonging to each trust must be kept separate, so that the owner may be readily identified. The fiduciary is, of course, responsible for the safe-keeping of the securities. It is common to allow access to trust securities only to two officers of the company jointly, and removal of such securities from the vault only upon written requisition duly signed.

The troublesome problem of the investment of odd amounts and of amounts too small to permit of the purchase of a bond or a mortgage is being solved satisfactorily by giving the estate a participation in a mortgage or in a group of securities. By this means any amount that an estate may have in hand may be made to produce an income without great delay.

When securities are purchased at a premium over their face value, the interesting question arises whether the present beneficiary is entitled to the full income, or whether a portion of the income must be reserved as a sinking fund, so that at maturity of the security the principal will be intact. The question is of great importance where there is a life tenant to whom the income is to be paid, the principal at the death of the life tenant to go to another party. The question is sometimes settled in advance by the provisions of the instrument under which the fiduciary acts; but when it is not so settled, the safer plan is to withhold enough of the income to keep the principal intact.

Digitized by Google

CHAPTER XVII.

TRUST COMPANIES OUTSIDE OF THE UNITED STATES.

THE trust company has attained its greatest development, by far, in the United States, and in the form in which it exists here may with propriety be looked upon as peculiarly an American institution. The germ of the trust company idea, however, has not been altogether lacking in other parts of the world; and Australia has developed corporations which adhere strictly to the original and distinctive function of the trust company—fiduciary business.

As far back as the beginning of the nineteenth century, the idea of providing corporate agencies for the transaction of business as trustee and agent was put into practice in India by the "Agency Houses." "These were concerns organized to transact business for trustees or individuals, to receive moneys on deposit, and to administer estates;" and a knowledge of their operations inspired the undertaking of this class of business, as early as 1836, by one of the earliest of American trust companies.[91]

During their second occupation of Cape Colony, South Africa, at the beginning of the nineteenth century, it appears that the Dutch established public corporations for the management of the estates of deceased persons; an idea which the English adopted, after their reoccupation of the Cape, by the establishment of their first "Trustee and Executor Company" in 1832. This company had a capital of £29,400, divided into 168 shares of £175 each. "It combined a purely trust business with a form of banking, and apparently had power to allow interest on trust funds, and to trade with them."[92] There are now four trust companies in Johannesburg, South Africa, two of which also do a life insurance business, like the early trust companies of the United States.[93]

THE AUSTRALIAN TRUSTEE COMPANY.

Trust companies, as corporations for the transaction of trustee business, pure and simple, are well established in Australia, and their business is steadily growing. They appear to have been uninfluenced by the trust companies of the United States, partaking of none of the characteristics of the "financial department store," but adhering to one general line of business.

The records of the first of these companies—The Trustees, Executors and Agency Co., Ltd., of Melbourne—show that its organization was

91 Sketch of The Pennsylvania Company for Insurance on Lives and Granting Annuities, Philadelphia, pp. 32-35.

92 The Age, Melbourne, Australia, January 21, 1907. See also "Dalgety's Review," Melbourne, August, 1906.

93 Ernest Heaton: The Trust Company Idea and Its Development, p. 34.

Digitized by Google

inspired by a knowledge of the success of the trustee and executor companies of South Africa. It was established in 1878, making progress rather slowly for the first few years, during which it had practically no competition. About 1885 the public began to awaken to the value of such institutions, and between that date and 1893 thirteen more companies were organized in various parts of the Commonwealth, all of which are still in existence, making a total of fourteen companies now doing business in Australia. Of these, seven are located in Victoria, two each in New South Wales and Tasmania, and one each in Queensland, South Australia and West Australia. The table presented herewith, taken from the Year Book of Australia for 1907, gives a list of these companies, with the latest available statistics. The amounts of the estates which are held under administration is published by only seven of the companies, the total for the seven being £21,429,246. The Year Book estimates the total for the other companies at from £8,000,000 to £10,000,000, making a probable total of estates held for administration by all the trustee companies of Australia of about £30,000,000. As will be seen from the table, the dividends ranged from 4½ per cent. to 11 per cent.—averaging over 8 per cent.—while in some cases the excess of the net earnings over the amounts of the dividends permitted substantial additions to the "reserve funds" and undivided profits.

The statistics given in the table reflect the different character of the Australian trustee company as compared with the American trust company in one important particular—there are no *deposits*. The Australian trustee company does not receive deposits, and does neither a commercial nor a savings banking business. Nor does it exercise any of the other auxiliary powers common to trust companies in the United States, except that in a few cases safe deposit vaults are maintained, which are found unprofitable because the banks do such business free of charge. As will be seen below, the functions of these companies are practically limited to those exercised by the probate division of the trust department of the American trust company.

The fourteen companies are chartered and their powers and limitations are defined in every case by private act; but in Victoria there is also some general legislation designed to regulate the business. The acts are all essentially the same, and their general character may be seen from an outline of the act conferring powers upon the original company —The Trustees, Executors and Agency Company, Limited, of Melbourne, which is also the largest Australian trustee company, and probably the largest company in the world carrying on exclusively the administration of estates. It has a paid-up capital of £90,000, reserve fund and undivided profits of £26,826, and the amount at credit of estates, trusts and clients on December 31, 1906, was £8,754,551.

The act conferring powers upon this company starts with a preamble setting forth that, "Whereas, from the uncertainty of human life and from other causes great difficulty often arises in securing the services of suit-

Digitized by Google

Companies.	Date of Balance Sheet.	Capital and Liabilities.							Assets.					Profits and Dividends.		
		Capital Subscribed.		Capital Paid-up.		Reserve Funds and Undivided Profits.	Lia. incl. Overd'n Trust Acts.s'cured by cor'p'd's Asset & Divs. declared.	Total Capital and Liabilities.	Investments in Public Securities, Fixed Deposits, &c.	Loans on Mortgage.	Property.	All other Assets, incl. Cash & Advances to Clients.	Total Assets.	Net Profit for Year.	Dividend.	
		No. of Shares.	Amount p. Share.	Amount per Share.	Total.										Rate % p. ann.	Amount
			£		£	£	£	£	£	£	£	£	£	£		£
Trustees Executors & Agency Co., Ltd., Melbourne	June 30, 1906	60,000	2½	30/-	90,000	23,365	2,700	116,065	32,800	6,528	65,000	11,737	116,065	11,043	6	5,400
Union Trustee Co. of Australia, Ltd., Melbourne ..	Feb. 28, 1906	73,822	2½	20/-	73,822	1,364	2,577	77,763	50,846	18,801	2,148	5,968	77,763	3,874	5	3,691
Equity Trustees, Exors. and Agency Co., Ltd., Melb.	June 30, 1906	50,000	2½	10/-	25,000	18,463	11,164	54,627	18,541	721	15,962	19,403	54,627	6,054	10	2,500
National Trustees, Executors and Agency Co. of Australia, Ltd., Melbourne..	Oct. 31, 1906	75,000	2	8/-	30,000	23,984	1,706	55,690	10,000	5,070	36,755	3,865	55,690	2,801	9	2,700
Perpetual Executors and Trustees Association of Australia, Ltd., Melbourne	Sep. 30, 1906	30,000	5	20/-	30,000	2,652	753	33,405	13,940	13,411	1,141	4,913	33,405	2,274	4½	1,275
Ballarat Trustees, Executors and Agency Co., Ltd., Ballarat	June 30, 1906	20,000	2½	15/-	15,000	9,171	750	24,921	18,659	1,800	2,000	2,462	24,921	3,606	11	1,650
Sandhurst and Northern District Trustees, Executors and Agency Co., Ltd., Bendigo	Dec. 31, 1905	40,000	1	10/-	20,000	8,657	2,082	30,73	10,261	10,774	6,944	2,760	30,739	4,156	10	2,000
Permanent Trustee Co. of N.S.W., Ltd., Sydney ..	Sep. 30, 1906	200,000	5	2/6	25,000	16,694	2,524	44,218	20,000	23,263	..	955	44,318	5,171	10	2,500
Perpetual Trustee Co., Ltd., Sydney	Dec. 31, 1905	100,000	10	5/-	25,000	43,595	2,578	71,173	20,000	†29,636	19,500	2,037	71.173	7,333	10	2,500
Executor, Trustee & Agency Co. of Sth. Australia, Ltd., Adelaide	Sep. 30, 1906	10,000	5	30/-	*15,350	8,253	1.074	24,677	16,326	..	1,300	7,051	24,677	2,728	7	1,074
Queensland Trustees, Ltd., Brisbane	June 30, 1906	101,000	2	5/-	25,250	5,894	12,499	43,643	22,595	..	..	21,048§	43,643	2,174	6	1,515
Perpetual Trustees, Executors and Agency Co. of Tasmania, Ltd., Hobart	June 30, 1906	10,000	5	20/-	10,000	7,168	7,473	24,641	5,000	4,075	3,125	12,441	24,641	1,370	8	800
Tasmanian Permanent Executors and Trustees Association, Ltd., Launceston	Sep. 30, 1906	10,000	5	20/-	10,000	5,715	14,022	29,737	5,000	10,369	..	14,368	29,737	1,858	8	800
West Australian Trustee, Executor and Agency Co., Ltd., Perth	Oct. 31, 1906	20,000	2½	10/-	10,000	10,084	500	20,584	1,300	4,250	12,962‡	2,072	20,584	1,916	10	1,000
	Totals 1906				404,422	186,059	62,402	651,883	245,268	128,698	166,837	111,080	651,883	56,358	..	29,405
	Totals 1905				404,422	162,524	63,027	629,973	242,007	111,604	166,543	109,819	629,973	54,495	..	28,361
	Totals 1904				404,422	135,918	79,066	619,406	244,748	101,603	158,011	115,044	619,406	40,495	..	26,059

* Including £350 paid in advance of calls. † Loans on mortgage and other investments, fixed deposits, and debentures. ‡ The security for this property is lodged with the State Treasurer. § Including "secured loans, investments, and sundry debtors, £5,435."

Statement of Condition of the Australian Trust Companies.

Digitized by Google

able persons for the office of trustee, executor and other similar offices; and whereas, in order to secure the more certain discharge of the duties of such offices a company has been formed and incorporated," etc.

The powers granted in this and succeeding acts or by the general statutes of Victoria are (as stated in the company's circular) to act as executor under wills alone or jointly, as administrator in intestate estates, as administrator with the will annexed, as trustee under marriage and other settlements, as trustee in cases of settlement of property for the benefit of women and children, as temporary executor, administrator or trustee, as receiver and committee of estates under the Lunacy Statute, as agent for absentees or others, as guarantor or surety for the proper administrator of estates; to take over existing trusts from individual trustees, to collect income, invest funds, manage or realize estates and perform general agency business, and to invest its own funds on clearly defined lines. To the powers specifically granted the company is strictly held by the Trustee Companies Act of 1890, which says (section 385) that a trustee company "Shall not engage in, carry on or be concerned in any business trade venture or undertaking of any kind whatsoever other than such as is expressly authorized by the special act or acts relating to such trustee company, and other than general agency business, and other than the deposit of its own funds with a company or person carrying on the business of a bank of deposit, and other than the investment of such funds in the stock debentures or marketable securities of any Government corporation or company or on mortgage of real property or Crown leasehold. Provided, that any such company may guarantee the safety of the principal and the regular payment of the interest of trust funds committed to its management as executor, administrator or trustee, and provided that any such company may give or enter into any bond or guarantee for the purpose of enabling any person or persons to obtain administration of the estate of any deceased person or persons in any case where such estate shall be placed under the management or control of such company by the administrator." The section closes with these words: "Any director, member (stockholder) or officer of a trustee company who is shown to be concerned in or a party to any wilful breach of the provisions of this section shall be guilty of a misdemeanor."

The special act provides that £10,000 of the capital of the company shall be invested in debentures or inscribed stock of the colony, to stand in the name of the Treasurer of the colony in trust for said company, but transferable only upon the joint consent of the Treasurer of the Colony and the said company, or upon the order of the Supreme Court or of a judge of said Court. This fund, together with the balance of the capital, "both paid and unpaid," and the other assets of the company, stand in lieu of special bonds in cases of administration. The amount of this deposit for the other companies varies from £5,000 to £20,000, according to the size of the company. The stockholders are subject to double liability.

Digitized by Google

The act provides for careful supervision and holds the company and its officials to strict accountability. It is "subject in all respects to the same control and liable to removal as private individuals" acting in similar capacities. Any person legally interested in an estate under the company's administration may through the Supreme Court compel an accounting. The Treasurer of Victoria may likewise compel the rendering of an account. The Supreme Court may at any time require an audit of any estate in the hands of the company, by an auditor appointed by said court. The following provision, similar to that already quoted from the general statutes, is significant: In every case where the company acts as administrator, trustee, receiver or committee, "The managing director, manager and directors shall be individually and collectively in their own proper persons responsible to the court, and shall in their own proper persons be liable by process of attachment commitment for contempt or by other process to all courts having jurisdiction in that behalf for the proper discharge of their duties and for obedience to the rules, orders and decrees of such courts in the same manner and to the same extent as if such managing director, manager and directors had personally obtained probate or letters of administration," etc. This does not, however, release the assets of the company from liability for pecuniary loss occasioned by imperfect or improper discharge or neglect of duty.

Moneys remaining unclaimed for a period of five years by the person entitled to same are to be paid by the company to the Receiver of Revenue in Melbourne, and by him be placed in "The testamentary and trust fund," which is invested in Government debentures or stock. The company is required to deliver to the Treasurer at the end of every six months a statement of all such unclaimed moneys; and for default in compliance with the provisions of this section is liable to a penalty not exceeding five pounds for every day while such default continues, "and every director and manager of the company who knowingly and wilfully authorizes or permits such default shall incur the like penalty." A similar penalty is imposed for failure to render the regular reports to the Government, which must be rendered according to a prescribed form on the first Monday in February and the first Monday in August every year.

Considering the limitations placed upon the companies, the supervision maintained over them, and the penalties to which the companies themselves and their officers individually are subject in case of violation of law, one is not surprised at the statement of a recent writer that "Not one of the fourteen trust companies has lost a single penny of its capital or of the money of its beneficiaries, or has ever been removed from trusteeship, or held liable for any neglect, wrong-doing, or breach of trust by any court in the Commonwealth during the whole time they have been in existence."

Reference to the table given above discloses the fact that in no case is the subscribed capital paid up, while in most cases the uncalled capital

Digitized by Google

far exceeds the paid up capital. The total subscribed capital is £3,253,555, the paid up capital £404,422, leaving the uncalled capital £2,849,133. This is regarded as a very strong feature of the companies, the uncalled capital being looked upon as a great protection to the creditors. "It is almost unnecessary to point out that this (the uncalled capital) represents a very considerable security for the proper administration of estates, especially as the companies are generally very conservative with their share lists, refusing to accept as shareholders any who cannot satisfy them as to their financial soundness. There is generally a limit to the number of shares which may be held by each shareholder, this being 2,000 in the case of the Perpetual, and there is with most of the companies a provision that a large portion of the capital can only be called up in the event of liquidation, such portion being, therefore, practically earmarked as security to the trusts."[94]

The scales of charges for services varies somewhat with the different companies. Those of The Trustees, Executors and Agency Co., Ltd., which fairly represent the average, are as follows: For acting as executor, administrator, trustee under will, receiver and committee of estate under Lunacy Statute, 2½ per cent. on the capital value (gross) of the estate up to £50,000; 1½ per cent. on the amount from £50,000 to £100,000; 1 per cent. on the amount over £100,000; 2½ per cent. on all income received; on transferred trusts, marriage and other settlements, not exceeding 5 per centum on income received, but charge subject to arrangement. Charge on corpus (capital), as above, on distribution.

The New Zealand Public Trust Office.

There are two trustee companies in New Zealand—The Perpetual Trustees' Estate & Agency Co., of New Zealand, Ltd., and The Trustees, Executors' and Agency Co., of New Zealand, Ltd., both located at Dunedin. They are small companies, having resources of about £28,000 each. The administration of estates in the island is mainly in the hands of The Public Trust Office, which, though not a trust company, is considered here because of its unique character and its evident interest to students of the trust company movement.

The Public Trust Office, which is a department of the Government service, was constituted by "The Public Trust Office Act" of 1872, and its functions have been enlarged by succeeding acts. The office is administered by an officer of the Government, known as the Public Trustee. There is an advisory body, known as "The Public Trust Office Board," consisting of the Colonial Treasurer and two other members of the Ministry, with four other officials, of whom three form a quorum. The consent of this board is necessary before the Public Trustee can accept any appointment. The Public Trustee is forbidden to accept any appointment jointly with any other person.

94 C. E. Cowdery, of The Perpetual Trustee Co., Ltd., Sydney, in "Trust Companies" magazine, Vol. II, p. 676.

Digitized by Google

Any person may appoint the Public Trustee a trustee, executor, administrator, guardian, committee, agent or attorney—subject, of course, to the consent of the Public Trustee—and the duties and rights of the latter are the same as if a private person had been appointed. Trustees may, with the consent of the court, appoint the Public Trustee sole trustee in their places, while executors and administrators are expressly authorized to appoint the Public Trustee sole executor or administrator. No vesting order is required, as all the property by virtue of the appointment, and without any conveyance or assignment thereof, becomes vested in the Public Trustee. Any testator may deposit his will in the Public Trust Office.

Upon the death intestate of any person domiciled or having property in New Zealand, the Public Trustee is entitled to administration as of right, and is not bound to give notice to any person who but for this provision would be entitled to the grant, though power is reserved for the court to make a grant to such person if it sees fit. Where an intestate estate is under £250 the Public Trustee can administer without even getting a grant, and where any person dies testate, and application for a grant is not made within three months, the Public Trustee can apply for and obtain a grant of letters of administration, unless the executor can satisfy the court that the delay has been unavoidable or accidental. In the matter of procedure, special privileges are allowed to the Public Trustee.

The provisions for the disposition of the funds are of peculiar interest. A testator or settler may direct special investments for his moneys, in which case the directions are followed, at the risk, of course, of the estate. All other capital moneys, however arising, and whether directed to be invested or not (unless expressly forbidden to be invested) become one common fund, and are invested in certain securities defined in the act. From the income on this common fund interest is paid to the several estates at a rate to be determined from time to time by the Governor in Council, and is credited quarterly. The rate to be allowed is limited to 5 per cent. on amounts not exceeding £3,000, and on larger amounts must not exceed 5 per cent. on the first £3,000 and 4 per cent. on the excess over £3,000. The common fund is practically guaranteed by the state; if the fund is insufficient to meet the lawful claims thereon, the Colonial Treasurer shall pay such sums out of the consolidated fund as may be necessary to meet such deficiency.

"The charges for realization of any estate, whether of lunacy, intestacy, wills, or agency, are: Any sum up to £1,000, 5 per cent.; on the next £3,000, 3 per cent.; on the next £6,000, 2 per cent.; on all over £10,000, 1½ per cent.; provided that with respect to cash or balances at the bank, or money received under any policy of insurance, there shall be charged a percentage of only half the above." These are maximum charges, and may be and often are reduced under special circumstances. With regard to income, as soon as all the property has been realized and

Digitized by Google

the money has been transferred to the common fund of the office, the income is as a matter of practice paid to the beneficiaries free of all office commission, though there is a provision for a charge not exceeding 5 per cent. upon such income. The office pays expenses and makes a small profit.

The office appears to be of the greatest benefit to the community in the handling of small intestate estates. By the Lunacy Act of 1882, the Public Trustee is authorized to undertake the administration of the estates of lunatics in every case where no committee may be appointed for the estate, and 90 per cent. of estates of lunatics in the asylums are administered by him.

According to the New Zealand Year Book, the total value of the estates in the hands of the Public Trustee in 1903 was as follows: Wills and trusts, £1,279,743; intestate estates, £197,368; real estates, £7,585; lunatic estates, £170,585; native reserves, £375,000; West Coast settlement reserves, £655,000; unclaimed lands, £21,504; making a total of £2,706,785. (The population of New Zealand is about 800,000.)

Canadian Trust Companies.

The Canadian trust companies, as to their powers and limitations, occupy a position between those of the Australian trustee company and the American trust company. While they differ somewhat among themselves, none of them exercise the wide powers of the latter, and none are so closely restricted as the trustee companies of Australia. Some of the charters under which the different companies act permit of rather wide powers; but in practice many of the powers have not been exercised, and the business of the companies is mainly confined to the duties of trustee, administrator, the management of estates and the investment of funds.

They do not undertake a commercial banking business, nor do they as a rule take ordinary savings deposits, although three or four of them have in very recent years established savings departments, and one at least is advertising "banking by mail." Until within very recent years they have not undertaken to do corporate trust work, such as receiving and alloting subscriptions for stock. acting as transfer agents, etc.; but a few companies are now doing that class of work. A few of the companies are closely associated with loan companies, and trust and loan companies appear under the same headings in the Government reports—as is the case in several states of the Union.

The number of separate companies now in existence is thirteen, their aggregate resources, including trust funds and estates, being in the neighborhood of eighty million dollars. Of these thirteen companies, the main offices of five are located in Toronto, of one in Halifax, of two in London, Ontario, of two in Montreal, of one in Vancouver and of two in Winnipeg. Seven of the companies maintain branches in other cities, the total number of such branches being eighteen. Some of the companies maintain safe deposit departments.

Digitized by Google

Ontario and New Brunswick have general laws affecting trust companies, but the laws are of incomplete character. The Ontario Trust Company Act (1897, Cap. 206) provides that the High Court may appoint a suitable person to investigate the affairs and management of a trust company, and the Lieutenant-Governor may appoint an inspector to examine the affairs of such company and report on the security afforded to those for whom its engagements are held.

Applications for trust company charters may be referred by the Lieutenant-Governor to the High Court of Justice for an opinion as to the necessity for incorporation of the company, having regard to the business to be done and companies already incorporated and doing business, and whether the public convenience and advantage would be promoted. If the opinion is unfavorable, the application shall not be proceeded with.

The New Brunswick statute (1902, Cap. 106) authorizes the appointment as trustee of a trust company which is approved by the Lieutenant-Governor. The company is subject to inspection at any time, and is required to deposit with the Receiver-General such sum of money or amount of securities as he may deem sufficient as security for the proper performance of its trusts within the province. The statutes of both provinces prohibit trust companies from issuing debentures, and authorize them to receive as deposits the sinking funds of municipalities and corporations.

Seven of the Canadian trust companies have been established since the year 1900; five were established during the nineties. The first trust company in the Dominion,—The Toronto General Trusts Corporation,—which is also considerably the largest trust company there, began business in 1882, under a special charter granted by the Government of Ontario. On December 31, 1907, it reported total liabilities of $32,909,902.68, of which the principal items were Capital and "Reserve" (Surplus), $1,400,000; Trust, Guarantee and Agency Funds, $16,654,332; Trust Estates and Agencies, $14,785,702. The company confines itself chiefly to trustee business, though its charter grants wider powers. It does not receive deposits, nor underwrite securities. It transacts considerable business for the Government of the Provinces, invests court funds, and has control and management of lunatic estates in Ontario.

Following is a list of the trust companies in Canada:—

The Toronto General Trusts Corporation, Toronto. (Branches at Ottawa and Winnipeg.)

The Imperial Trust Company of Canada, Toronto.

The National Trust Company, Toronto. (Branches at Montreal, Winnipeg, Edmonton [Alberta], and Saskatoon [Sask].)

The Trusts and Guarantee Company, Toronto. (Branch at Calgary, Alberta.)

The Union Trust Company, Toronto. (Branches at Winnipeg, Hamilton [Ont.], Regina [Sask.], and London, England.)

The Canada Trust Company, London.

Digitized by Google

The Eastern Trust Company, Halifax. (Branch at St. John, N. B.)

The London and Western Trust Company, London.

The Montreal Trust and Deposit Company, Montreal. (Branch at Halifax.)

The Royal Trust Company, Montreal.

The British-American Trust Company, Vancouver. (Branches at Grand Forks, B. C., Victoria, B. C., Winnipeg; Agency at Spokane, Wash.)

The Western Trust Company, Winnipeg.

The Standard Trusts Company, Winnipeg.

Other Countries.

Outside of the United States, Australia and Canada there are no countries in which the trust company has made enough progress to be considered an established institution. Within the past ten years, however, beginnings have been made which indicate the probability that the trust company movement, in somewhat varying forms, will soon have a firm foothold in a number of foreign countries.

Prior to its admission as a territory of the United States, the trust company had been established in Hawaii, and there are now four such corporations in the Islands, all located at Honolulu—The Hawaiian Trust Company, organized in 1898; The First American Savings and Trust Company; The Henry Waterhouse Trust Company and The Bishop Trust Company. The trust functions exercised by these companies include all the ordinary trust powers, and the right "To transact as agents any other business or undertaking, trust, mercantile or otherwise, which may be necessary, useful or convenient to the main purpose of the corporation." They handle as general agents all kinds of insurance. They have not banking powers, the statute specifically prohibiting the transaction of both a general banking and a savings banking business.

There are trust companies operating in Porto Rico, devoted specially to developing the resources of the island. An American company has been formed, with headquarters at Pittsburg, to operate in the Philippines.

In Cuba a beginning was made by the establishment in January, 1906, of The Trust Company of Cuba, located at Havana. It has a paid-up capital of $500,000, and in June, 1907, had surplus and undivided profits of $31,691, and deposits of $323,872. It is closely patterned after the trust companies of the United States, maintaining banking, savings, trust and real estate departments. The laws do not permit the company to act as executor, but an executor may appoint it to act for him. There is a considerable field for the company in the management of property owned by parties who reside in Spain, a large amount of property in Havana being so held.

In Mexico there have been started several enterprises under the name of trust companies which were organized for speculative purposes by Americans, usually as branches of concerns in the United States, which

Digitized by Google

have gone out of existence. Effort has been made to obtain general legislation providing for the organization of trust companies, but thus far without success. The only existing trust company incorporated under the laws of the Republic of Mexico is The Mexican Trust Company (Compania Fideicomisaria Mexicana) of Mexico City, which has a capital of $250,000 ($125,000 United States money), and which includes in its directorate a number of prominent Mexicans. The powers conferred by its charter are exceedingly wide, including the right to do a banking business, to perform all the ordinary trust functions, "To promote the incorporation of all kinds of companies in the form it may deem fit, and to deal in their stocks; to buy and sell securities of all kinds; to buy and sell mines and to work them on its own account; * * * to hold, acquire, transfer or lease concessions granted by the National Government for the exploitation of all kinds of natural products as well as for those which have an industrial object; * * * and in general all such business as the company's board of directors may determine." Plans are on foot for the establishment of other companies, presumably along the same lines.

In October, 1905, a company known as the Banco Fomento Industrial Americano was organized at Buenos Ayres, Argentine Republic, with an authorized capital of $5,000,000—of which at last advices, however, only a small part was paid up. The company numbers among its directors several of the prominent men of Buenos Ayres, which is a progressive city of over 1,100,000 people. It has as its avowed object "The development and enlargement of the established industries in the country or out of it and the introduction of new ones that it is thought advisable and opportune to establish and all the operations that the North American trust companies carry on." The powers granted are very wide, including some of a speculative nature, in addition to the more conservative powers of the trust company as we know it.

Japan entered into the field in 1902 by the establishment under Government auspices, after an official investigation of the trust companies of the United States, of The Industrial Bank of Japan, Ltd. (Nippon Kogyo Ginko). It had an authorized capital of 10,000,000 yen, which was increased to 17,500,000 yen in 1906, and of this at last advices 13,750,000 yen were paid up. The company is fostered by the Japanese Government, which guarantees dividends of 5 per cent. for the first five years. Some of the shares have been placed in England and in the United States, and the stock sells at a good premium. In its first year the company successfully floated in London an issue of 50,000,000 yen of national bonds, a task entrusted to it by the Government. The powers of the company have been considerably enlarged since its organization, and it now advertises its lines of business as follows:

1. Loans on the security of national or local loan bonds, or debentures and shares of companies.

2. Subscriptions for or taking over by transference, national or local loan bonds, or the debentures of companies.

Digitized by Google

3. General deposit and safe deposit business.

4. Business of a trust company.

5. Discounts of bills on security of national or local loan bonds, or debentures and shares of companies.

6. Loans on mortgage of railway, factory and mine.

7. Banking and attendant business in foreign countries.

The by-laws of the company define its trust business as follows: "Article 89. The trust business to be undertaken by this bank shall be in general as follows:

1. To be intrusted with the administration, settlement, etc., concerning money, securities, movable and immovable properties and other properties.

2. To deal in matters relating to public loans, and the loans and shares of companies; such as issuing bonds or debentures, paying principal, interest, profit, etc.

3. To deal in matters relating to mortgaging debentures or to giving guarantees on behalf of debtors."

England and Scotland.

Notwithstanding the fact that since the year 1886 repeated efforts have been made to establish the idea of the corporate trustee in Great Britain, the progress of the movement has been exceedingly slow. Two very formidable obstacles are yet to be overcome—the excessive conservatism of the people, which results in a decided lack of interest in the movement, and numerous legal restrictions which confine corporate undertakings of this kind within very narrow limits. Yet the shortcomings of the individual acting in fiduciary capacities are quite generally appreciated, and a number of plans designed to remedy the conditions have been proposed in Parliament. One of these was the Judicial Trustees Act of 1896, which after over ten years has failed to interest the public and does not solve the problem. On January 1, 1908, however, The Public Trustee Office, authorized by The Public Trustee Act of 1907, began business in London, and is meeting with success.

On the whole, the trust company movement in Great Britain is making progress, at least eight corporations being at present engaged in trying to build up this kind of business. Of these the earliest was The Public Trustee, Limited, of Edinburg, which was established in 1886. This company is strictly limited to the undertaking of trusts. In 1887 was established the Trustees, Executors and Securities Insurance Corporation, Ltd., and in 1888 the Law Guarantee and Trust Society, Ltd., both located in London. The latter has some eight or ten branches scattered over England and Scotland, maintains a trust department, writes fidelity insurance and guarantees the payment of debentures and mortgages.

The insurance companies have begun to give their attention to the possibilities of the trust business, the Ocean Accident and Guarantee Corporation of London having taken on trust powers in the early nineties,

Digitized by Google

while more recently the Royal Exchange Assurance Company of Liverpool, the Commercial Union Assurance Company of London, and some others, have entered the field. There is evidence, too, that the banks may undertake the transaction of formal trust business, The Union of London and Smith's having already done so.

European Countries.

The trust company idea cannot be said to have gained a foothold as yet in any company in continental Europe. The nearest approach to it is in Germany, where there are some companies of very recent origin which undertake certain trust company functions with regard to the handling of corporations. These have been organized by several of the large banking interests as auxiliary institutions. The first, and for some time the only one of these, The Deutsche Treuhand Gesellschaft of Berlin, was organized in 1890 by the Deutsche Bank and the banking-house of Jacob Stern at Frankfort-on-Main. Its business consists chiefly of corporate trust work—the formation and reorganization of joint-stock companies, dealing in their shares, acting as agent for the redemption of dividend warrants, transfer agents, etc.

The mortgage banks of Germany and Austria, the Credit Foncier, Credit Lyonnais and other companies in France, and similar institutions in some other European countries, perform functions analogous to the lending and savings banking operations of the American trust company,[96] but these are not peculiarly trust functions, and the institutions named do not partake of the distinctive features of the trust company.

---

96 See Proceedings Trust Company Section, A. B. A. 1896-1903, pp. 243-253, article by Charles F. Phillips on "The Business in Foreign Countries Analogous to That of Trust Companies in the United States."

Digitized by Google

BIBLIOGRAPHY.

BOOKS AND PAMPHLETS RELATING DIRECTLY TO TRUST COMPANIES.

COMPARATIVE STATEMENTS OF TRUST COMPANIES IN THE STATE OF NEW YORK, 1894-1904. New York: George W. Young & Co., 1905. pp 81.

DIGEST OF LAWS RELATING TO TRUST COMPANIES OF THE UNITED STATES. New York: George W. Young & Co., 1905. pp 98.

A classified digest of State laws relating to trust companies.

MODERN TRUST COMPANY, THE. F. B. Kirkbride and J. E. Sterrett. New York: The MacMillan Co., 1905. pp 309.

Up to the present this is the only general work on the subject published. Contains discussions of functions, methods of organization, duties of officers and employees, methods of accounting, departments of work, Stock Exchange rules, bibliography. Illustrated with forms.

PENNSYLVANIA COMPANY FOR INSURANCE ON LIVES AND GRANTING ANNUITIES, A SKETCH OF THE. Philadelphia: J. B. Lippincott Co., 1896. pp 168.

An historical and descriptive sketch of the oldest company in the United States now doing a trust business.

TRUST COMPANIES IN THE UNITED STATES. George Cator. Baltimore: The Johns Hopkins Press, 1902. pp 113.

One of the Johns Hopkins University Studies, and intended to give "a general outline of the subject". Contains historical sketches, discussions of functions, causes of development, State regulation, schedules of State laws.

TRUST COMPANIES OF THE UNITED STATES. New York: Published annually (since 1903) by The United States Mortgage and Trust Co.

Contains individual statistics of trust companies in the United States, Canada and Cuba. Gives for each company the statement of assets and liabilities, date of organization, quotations of stock, dividends, list of officers and directors.

TRUST COMPANY IDEA AND ITS DEVELOPMENT, THE. Ernest Heaton. Buffalo: The White-Evans-Penfold Co., 1904. pp 45.

Discusses the growth of the trust company idea, advantages and functions of trust companies, sketches of the progress of trust companies in the United States, Canada, Australia and other countries.

TRUST COMPANY QUESTION, THE. Breckenridge Jones. St. Louis: The Mississippi Valley Trust Co., 1892. pp 24.

Digitized by Google

This was the first published pamphlet on the subject, and has not been excelled for a clear statement of the functions and advantages of the trust company, and of the differences between banks and trust companies.

THE CIRCULARS PUBLISHED BY VARIOUS TRUST COMPANIES furnish a good source of general information regarding the functions they exercise and the advantages they offer.

PROCEEDINGS, REPORTS AND PERIODICALS.

BANKERS MAGAZINE, THE. New York. Published monthly. $5.00 a year.

Has a Trust Company Department, and contains numerous notes and articles regarding trust companies. Publishes annually the proceedings of the Trust Company Section of The American Bankers Association. For an historical study of the subject, the files of this magazine, which run back to 1846, are valuable.

BANKING LAW JOURNAL, THE. New York. Published monthly. $4.00 a year.

Has a Savings and Trust Department, gives legal decisions affecting banks and trust companies, with discussions of same.

BANKING PERIODICALS. In addition to those named here, most banking periodicals contain occasional articles relating to trust companies.

BULLETIN OF THE AMERICAN INSTITUTE OF BANKING. New York. Published monthly. $2.00 a year.

Frequently contains articles on trust companies.

COMMERCIAL AND FINANCIAL CHRONICLE, THE. New York. Published weekly. $10.00 a year.

Contains occasional articles on trust companies, and weekly gives news items regarding same. Publishes annually the proceedings of The Trust Company Section of The American Bankers' Association. Good for statistics of New York trust companies.

COMPTROLLER OF THE CURRENCY, REPORTS OF THE. Washington. Published annually.

Beginning with 1875, these reports contain statistics of "Loan and Trust Companies", and frequently contain general information and discussions regarding same. Each report gives a resume of the statistics for the previous years.

FORMS COMPILED UNDER THE SUPERVISION OF THE TRUST COMPANY SECTION OF THE AMERICAN BANKERS ASSOCIATION. New York: Published by the Association, 1903. pp 30.

Contains about forty forms for the use of trust companies. The selections were good, but some of the forms have since been materially improved upon. The Section now keeps at its office (5 Nassau St., New York), a collection of forms contributed by its members.

Digitized by Google

LAW SOCIETY, THE: PROCEEDINGS TWENTY-NINTH PROVINCIAL MEETING, 1903. London, England.

Contains, pp 234 to 264, a paper on Trustee Companies by Robert C. Nesbitt. Describes the trustee companies of Australia and the Public Trust Office of New Zealand, and discusses somewhat analogous institutions in England.

NEW ZEALAND OFFICIAL YEAR BOOK, 1898. Pages 454-462 contain a discussion of the Public Trust Office, with statistics.

NEW ZEALAND, STATISTICS OF THE COLONY OF, 1903. Gives statistics of the Public Trust Office, 1886-1904.

PRINTED FORMS. Published by The Savings Bank Section of The American Bankers' Association. New York, 1906.

A book of forms used by savings banks, taken from samples submitted and used by members. Contains about 600 forms, arranged under the following headings:—Deposits, Withdrawals, Signature and Index Cards, Bond and Mortgage Loans, Depositor's Ledgers, Loans, Miscellaneous Notices and Advices, Passbooks.

SAFE DEPOSIT COMPANIES, THE LEGAL RIGHTS AND DUTIES OF. A pamphlet containing the reports of special committees of 1904 and 1905 of The Trust Company Section of The American Bankers Association. Published by the Association, New York, 1905. Besides discussion of the matters indicated by its title, the work includes practical suggestions as to rules and other matters, and some thirty forms.

SAVINGS BANK SECTION OF THE AMERICAN BANKERS ASSOCIATION, PROCEEDINGS OF THE. Published annually by the Association, New York.

Contain much that is useful for the savings departments of trust companies.

STATE BANKERS' ASSOCIATIONS, PROCEEDINGS OF. These often contain papers regarding trust companies. They are usually published in local banking periodicals.

STATE BANKING DEPARTMENTS, REPORTS OF. In States which are strong in trust companies, these reports often contain instructive matter, in addition to statistics. Those of New York are especially useful. See also those of Massachusetts and Pennsylvania.

TRUST COMPANIES. New York. Published monthly. $3.00 a year.

A magazine published monthly since March, 1904, devoted exclusively to trust company matters. Contains leading articles on various subjects of interest to trust companies, with news items. There are many valuable articles in its files.

TRUST COMPANY SECTION OF THE AMERICAN BANKERS' ASSOCIATION, PROCEEDINGS OF THE. Published annually since 1896 by the Association, New York.

Contains the valuable papers and addresses delivered at the meetings, with stenographic reports of the discussions, lists of officers

Digitized by Google

and members. The proceedings for the years 1896-1903, inclusive, have been published under one cover.

TRUST COMPANY SECTION, PENNSYLVANIA BANKERS' ASSOCIATION, PROCEEDINGS OF THE.

These are included in the Proceedings of the annual meetings of The Pennsylvania Bankers' Association since 1901.

ARTICLES IN PERIODICALS.

(NOTE.—With a few exceptions, this list does not include articles in the periodicals named in the preceding list, for which their indexes should be consulted. An exception is made of the Bulletin of The American Institute of Banking [referred to below as Bulletin], because it does not publish an index.)

ADVANTAGES OF TRUST COMPANIES, THE. W. C. Miller. Bulletin, Oct. 15, 1905, p 550.

AUSTRALIAN TRUST COMPANIES. C. E. Cowdery. Trust Companies, Vol. II, p 676.

BANKS, THE, AND THE TRUST COMPANIES. The Nation, Vol. LXXIV, pp 362-3, May 8, 1902; Vol. LXXXII, p 132, Feb. 15, 1906. (Editorials.)

BONDS AS INVESTMENT SECURITIES. Annals of The American Academy of Political and Social Science, Vol. XXX, pp 193-427.

A group of papers under the following headings:—The Proper Basis for Bond Accounts When Held for Investment, by Charles E. Sprague; The Valuation of Bonds on an Income Basis, by Charles E. Sprague; Bond Redemption and Sinking Funds, by C. M. Keys; The Value of a Bond Department to a Bank or Trust Company, by George B. Caldwell; Tables of Bond Values—Theory and Use, by Montgomery Rollins; Essential Recitals in the Various Kinds of Bonds, by Andrew Squire; Organization and Management of a Bond House, by William Foley; Bond Salesmanship, by William Foley; Selling American Bonds in Europe, by Charles F. Speare; Methods of Accounting and Auditing in a Bond House, by Charles S. Ludlam; Bonds as Additional Banking Reserve, by William C. Cornwell; Railroad Bonds as an Investment Security, by Floyd W. Mundy; Electric Interurban Railway Bonds as Investments, by Edgar Van Deusen; Real Estate Bonds as an Investment Security, by George A. Hurd; Industrial Bonds as an Investment, by Lyman Spitzer; The Physical Condition of a Municipality Issuing Bonds, by Harry E. Weil; Municipal Bond Issues Explained, by Harry E. Weil; Protection of Municipal Bonds, by Park Terrell; Classification and Description of Bonds, by F. A. Cleveland; Bonds in Their Relation to Corporation Finance, by F. A. Cleveland.

CONTROL AND SUPERVISION OF TRUST COMPANIES, THE. Frederick D. Kilburn. Annals of the American Academy of Political and Social Science, Vol. XXIV, pp 27-42. July, 1904.

Digitized by Google

DEFINITION AND HISTORY OF TRUST COMPANIES, THE. Clay Herrick. Banking Law Journal, Vol. XX, p 329. (May, 1903.) Same article, Bulletin, July 1, 1903, p 8.

DETAILS OF A TRUST COMPANY'S BUSINESS, A FEW. Walter P. McComas. Bulletin, May 15, 1903, p 8.

FEDERAL SUPERVISION OF TRUST COMPANIES. David R. Carson. Bulletin, Sept. 15, 1905, p 424.

GOVERNMENT CONTROL OF BANKS AND TRUST COMPANIES. William Barrett Ridgely. Annals of the American Academy of Political and Social Science, Vol. XXIV, pp 15-26. July, 1904.

GROWTH OF TRUST COMPANIES. Alfred M. Barrett. Bulletin, January, 1906, p 25.

GROWTH OF TRUST COMPANIES. Charles A. Conant. American Review of Reviews, Vol. XXVI, p 574. November, 1902. (Reprinted in Conant's "Wall Street and The Country.")

GROWTH, REMARKABLE, OF AMERICAN BANKS AND TRUST COMPANIES. S. S. Pratt. Independent, Vol. LIX, pp 1454-67. Dec. 21, 1905.

HOW A TRUST COMPANY MAKES ITS MONEY. T. W. Lamont. Bulletin, May 15, 1905, p 1327.

ILLINOIS TRUST COMPANIES. W. E. Miller. Bulletin, Sept. 1, 1904, p. 377.

JOINT ACCOUNT, LEGAL ASPECTS OF PAYMENT TO SURVIVOR OF. Thomas B. Paton. Proceedings Savings Bank Section of the American Bankers' Association, 1906.

KNICKERBOCKER TRUST CO. SUSPENSION. See "UNLOCKING $47,000,000." Harper's Weekly, Vol. LII, pp 8-9, April 11, 1908.

LEGAL RESPONSIBILITIES OF TRUSTEES UNDER CORPORATION BONDS AND MORTGAGES OR DEEDS OF TRUST. Robert Ludlow Fowler. American Law Review, Vol. XXIV, pp 703-726.

MODERN TRUST COMPANY, A. W. F. Mackay. Bulletin, Dec. 1, 1904, p 693.

NATURE AND THE FIELD OF TRUST COMPANIES, THE. World's Work, August, 1902, Vol. IV, pp 2463-5.

PUBLIC'S STAKE IN THE TRUST COMPANIES, THE. World's Work, June, 1905, Vol. X, pp 6237-9.

PUBLIC TRUSTEE, THE. Henry D. Lloyd. Current Literature, Vol. XXIX, pp 671-2. December, 1900. (Subdivision of article on Some New Zealand Experiments.)

PUBLIC TRUSTEE, THE. E. K. Allen. Nineteenth Century, Vol. LXIII, pp 297-304. February, 1908.

PUBLIC TRUSTEE, SOME COMMENTS ON THE. William Schooling. Nineteenth Century, Vol. LXIII, pp 465-475. March, 1908.

Digitized by Google

RELATION OF TRUST COMPANIES TO BANKS, THE. J. Barton Townsend. Bulletin, Sept. 1, 1904, p 373.

RELATION OF TRUST COMPANIES TO INDUSTRIAL COMBINATIONS, AS ILLUSTRATED BY THE UNITED STATES SHIPBUILDING CO. L. Walter Sammis. Annals of the American Academy of Political and Social Science, Vol. XXIV, pp 239-270. July, 1904.

RESERVES OF TRUST COMPANIES. Festus J. Wade. Bulletin, Oct. 15, 1904, p 521.

SAFEGUARDING THE TRUST COMPANIES. C. M. Keys. World's Work, February, 1908, Vol. XV, pp 9907-9912.

STOCK TRANSFERS. James S. Carr. Bulletin, April 1, 1903, p 10.

SUPERVISION OF TRUST COMPANIES. World's Work, November, 1904, Vol. IX, pp 5457-8.

TITLE INSURANCE. J. Smith Christy. Bulletin, June 1, 1905, p 23.

TRUST ACCOUNTS IN SAVINGS BANKS. William Hanhart. Proceedings Savings Bank Section of the American Bankers' Association, 1903.

TRUST AND TITLE INSURANCE COMPANIES. Thomas Leaming, Lippincott's Magazine, Vol. XLII, pp 886-893, December, 1888. (An early view.)

TRUST COMPANIES. W. F. Mackay. Bulletin, Aug. 1, 1905, p 266.

TRUST COMPANIES: IS THERE DANGER IN THE SYSTEM? A. D. Noyes. Political Science Quarterly, Vol. XVI, pp 248-261. June, 1901.

TRUST COMPANIES. Chas. E. Willock. Bulletin, March 1, 1903, p 7.

TRUST COMPANIES. Guy Morrison Walker. A pamphlet published by Moore, Baker & Co., Boston, 19[illegible]. Contains a discussion of the earning power of trust companies, and reasons for their growth.

TRUST COMPANIES AND THE CLEARING HOUSE. Horace White. The Nation, Feb. 12, 1903, Vol. LXXVI, p 126.

TRUST COMPANIES AND THE PANIC. William Justus Boies. American Review of Reviews, December, 1907, Vol. XXXVI, pp 680-83.

TRUST COMPANIES AND RESERVES. A. S. Frissell. Annals of the American Academy of Political and Social Science, Vol. XXXI, p 463.

TRUST COMPANIES AND THEIR FUNCTIONS. Samuel M. Hahn. Bulletin, July 1, 1902, p 10; July, 15, 1902, p 11.

TRUST COMPANIES: THEIR ORGANIZATION, GROWTH AND MANAGEMENT. Clay Herrick. Bankers Magazine, 1904-1907, incl. Vols. LXVIII-LXXV.

TRUST COMPANY ASSOCIATION OF THE STATE OF NEW YORK, THE. The Banking Law Journal, Vol. XXI, pp 419-20.

TRUST COMPANY, THE. Arthur H. Cooley. Bulletin, Feb. 15, 1903, p 9.

TRUST COMPANY, THE. Charles W. Stevenson. The Bankers' Monthly, July, August, September and October, 1903, Vol. XXV.

Digitized by Google

TRUST COMPANY OF TO-DAY, THE. Virgil M. Harris. The Banking Law Journal, February, 1905, Vol. XXII, pp 97-101.

TRUST ESTATE MANAGEMENT. John W. Marshall. Bulletin, January, 1909, p 51.

TRUST ESTATES. H. B. Loud, Bulletin, October, 1906, p 1018.

WORKING FORCE OF A TRUST COMPANY, THE. Albert S. Abbott. Bulletin, Jan. 1, 1905, p 823.

WORKING FORCE OF A TRUST COMPANY, THE. Geo. D. Sears. Bulletin, Dec. 15, 1904, p 766.

BANKING, TECHNICAL AND GENERAL.

(Most trust companies do either a savings or commercial banking business, or both, and a thorough understanding of trust companies involves an understanding of the principles and practices of banking and of financial matters in general. In these fields the number of books is quite large, and only a few are included here.)

A. B. C. OF BANKS AND BANKING, THE. George M. Coffin. New York: S. A. Nelson, 1903. pp 136.

Explains banking theory and practice in a simple way.

A. B. C. OF STOCK SPECULATION, THE. New York: S. A. Nelson, 1903. pp 232.

Useful for an understanding of current methods of dealing in stocks.

A. B. C. OF WALL STREET, THE. Edited by S. A. Nelson. New York: S. A. Nelson, 1900. pp 164.

Explains methods of trading, and gives general information as indicated by title. Includes a dictionary of Wall Street terms.

ACCOUNTANCY OF INVESTMENTS, THE. Charles Ezra Sprague. New York, 1904. pp 93.

Includes a treatise on compound interest, annuities, amortization and the valuation of securities. Discusses theory of accounts, their form and application to different kinds of investments.

AMERICAN LAW RELATING TO INCOME AND PRINCIPAL, THE. Edwin A. Howes, Jr. Boston, 1905. pp 104.

Discusses the legal rules for the guidance of trustees in separating funds derived from investments into income and principal.

BANK SYSTEMS. Boston: Library Bureau, 1901. pp 40.

Practical accounting systems for trust companies and other banks.

CARE OF ESTATES, THE. Frederick Trevor Hill. New York, 1901. pp 176.

Practical questions regarding the rights, duties and liabilities of fiduciaries.

CLEARING HOUSES: THEIR HISTORY, METHODS AND ADMINISTRATION. James G. Cannon. New York: D. Appleton & Co., 1900. pp 383.

A standard work on the subject.

Digitized by Google

CORPORATION FINANCE. Thomas L. Greene. New York.

A study of the principles and methods of management of the finances of corporations in the United States, with special reference to the valuation of corporation securities.

FOREIGN EXCHANGE. New York: The Financier Co., 1902. pp 184.

Reprint of a series of articles treating the subject in an elementary way.

FUNDS AND THEIR USES. F. A. Cleveland. New York: D. Appleton & Co., 1902. pp 297.

Describes the methods, instruments and institutions employed in modern financial transactions. Illustrated.

HISTORY OF BANKING IN THE UNITED STATES, A. John J. Knox. New York: The Bankers' Publishing Co., 1903. pp 902.

Gives the history of banking in the United States, with sketches of banking in each of the States. Makes some mention of trust companies.

HISTORY OF SAVINGS BANKS IN THE UNITED STATES. Emerson W. Keyes. New York: Bradford Rhodes & Co., 1876. Vol. I, pp 438.

Considers the subject in a general way and by States.

INTERNATIONAL EXCHANGE. Anthony W. Margraff. Chicago, 1904. pp 300.

A practical work on the foreign banking department and its administration by American bankers.

LAWS OF THE STATES, THE, relating to trust companies.

In many States the banking laws, including those relating to trust companies, are printed in separate pamphlets. They may be obtained from the State banking department, if any, or from the Secretary of State.

METHODS AND MACHINERY OF PRACTICAL BANKING. Claudius B. Patten. New York: Bankers' Publishing Co., ninth edition, 1901. pp 520.

Originally published in 1891 and revised to date. Treats in a very interesting and instructive way of the practical details of the business, with illustrations.

MODERN BANK, THE. Amos Kidder Fiske. New York: D. Appleton & Co., 1905. pp 348.

Discusses principles and details of work, with forms and explanations. Has a brief chapter (No. 28) on State banks and trust companies.

MODERN BANKING METHODS. Albert R. Barrett. New York: The Bankers' Publishing Co., 1902. pp 320.

Treats in detail of the various departments of National banks, methods of working, bookkeeping, etc., with numerous forms and illustrations.

MODERN BUSINESS CORPORATIONS. William Allen Wood. Indianapolis: The Bobbs-Merrill Co., 1906.

Digitized by Google

Defines corporations, explains their legal status, formation and organization, officers, capital stock and bonds, accounting, forms used. With a bibliography on corporations.

MONEY AND BANKING. Horace White. Boston: Ginn & Co., 1902. pp 467.

Treats of the theory and principles of money and of banking, with historical sketches and descriptions of American banking institutions, and of foreign banking systems.

MONEY AND INVESTMENTS. Montgomery Rollins. Boston: Dana Estes & Co., 1907. pp 436.

An encyclopedic dictionary of financial terms.

NATIONAL BANK ACT, THE. Washington: Government Printing Office.

Contains the laws relating to National banks. Chapter IX gives the laws governing trust companies in the District of Columbia.

NEWEST ENGLAND. Henry D. Lloyd. New York, 1900.

Under Chapter II, pp 12-30, is given a description of the Public Trustee of New Zealand.

PRACTICAL BANKING. Albert S. Bolles. New York, 1892. Eighth edition.

Besides discussion of banking principles and methods, gives a brief sketch of loan and trust companies. pp 281-289.

PRACTICAL PROBLEMS IN BANKING AND CURRENCY. Edited by Walter Henry Hull. New York: The MacMillan Co., 1907. pp 596.

Under the Trust Company Section, pp 457-585, are included reprints of a number of the papers read at the meetings of The Trust Company Section of The American Bankers' Association and elsewhere.

PRINCIPLES AND PRACTICE OF FINANCE. Edward Carroll, Jr.

A practical guide for bankers and others. Summary of State and National banking laws, legal rates of interest, glossary of commercial and financial terms.

PRINCIPLES OF BANKING, THE. Charles A. Conant. New York: Harper and Bros., 1908. pp 488.

This is the second part of the author's work on The Principles of Money and Banking. Discusses the theory and history of banking, currency, reserves, evolution of commercial banking, crises.

SAVINGS AND SAVINGS INSTITUTIONS. James Henry Hamilton. New York: The MacMillan Co., 1902. pp 428.

Explains the theory, benefits and educational aspects of savings. Discusses different kinds of savings institutions, including postal savings banks. With a bibliography.

STATE BANKING IN THE UNITED STATES SINCE THE PASSAGE OF THE NATIONAL BANK ACT. George E. Barnett. Baltimore: The Johns Hopkins Press, 1902. pp 117.

Digitized by Google

One of the Johns Hopkins University Studies. Treats the subject from the economic standpoint.

THEORY AND HISTORY OF BANKING, THE. Charles F. Dunbar. New York: G. P. Putnam's Sons, 1891. Revised edition, 1904.

Explains the theory of banking operations, and sketches the principal foreign banks and the National banks of the United States.

TRUST FINANCE. Edward S. Meade. New York: D. Appleton & Co., 1907. pp 387.

A study of the genesis, organization and management of industrial corporations. Origin, methods, promotion, sale of stock, U. S. Steel Corporation, capitalization, suggestions for reform and legislation.

TRUSTEE'S HANDBOOK, A. Augustus Peabody Loring. Boston, 1900. pp 191.

States the rules governing the management of trust estates and the relationship between trustees and beneficiaries.

WALL STREET AND THE COUNTRY. Charles A. Conant. New York: G. P. Putnam's Sons, 1904. pp 247.

Chapter VI, pp 205-235, The Growth of Trust Companies.

WORK OF WALL STREET, THE. Sereno S. Pratt. New York: D. Appleton & Co., 1903. pp 286.

Explains the subject in theory and practical detail with clearness and interest. Specially valuable for an understanding of financial methods.

Digitized by Google

GENERAL INDEX.

(References are to pages. See also Index of Forms)

PAGE

Accounting, system of 172, 395
Accounts, opening of 250, 340
Administrator, definition of, 37; duties of, 438; power to act as 79
Advantages of trust companies 32, 45
Advertising, chapter XIII 379
Advertising campaign, 382; copy, preparation of, 392; for trust business, 390; manager, 170; mediums of, 384; reasons for 379
Agency houses in India 4, 444
Agent for corporations, business as 41
Alabama, 28; trust company laws of 90
American Institute of Banking, The 404
Arizona, 28; trust company laws of 91
Arkansas, 28; trust company laws of 91
Assignee, duties of, 40; fees as 407
Attorney of company 171
Audits (see Chapter XIV), 395; purpose of, 396; auditing department, 399; duties of auditor 171
Australian trustee companies 444
Babcock, Philip S., quoted 419
Baltimore 12
Bangs, Francis S 3
Bank of England 15
Bankers Magazine, quoted 7, 9, 11, 12, 13, 14, 15, 31, 32
Bankers Monthly, quoted 32
Banking by mail 410
Banking department, forms and records for, Chapter IX ... 249
Banking powers of trust companies 81
Banks and trust companies, comparative growth of, 19; comparison of, 47; competition between 14
Barnett, George E., quoted 16
Bibliography 457
Bills discounted 317
Board of directors or trustees 59, 66, 75, 387
Bond issues, duties and liabilities as trustee under 428
Bond trusts, forms for, 209; requisites in accepting 433
Bookkeepers, duties of 167, 169
Boston 9, 11, 12
Boston ledger, 267; for general accounts 289
Boston Safe Deposit and Trust Company 11

Digitized by Google

PAGE
Bowdoin, Henry J., quoted 419, 425
Bradstreet's, quoted 22, 23
Branch banking 409
Brooklyn (N. Y.) Trust Company 11, 13
Buenos Ayres, trust companies in 454
Buildings and offices 410, 411
By-laws 58
California, 20, 28; trust company laws of 92
California Safe Deposit and Trust Company 24
Camden Safe Deposit and Trust Company 11
Capital stock 75, 84
Canadian trust companies 451
Cape Colony, Trustee and Executor companies in 444
Card records 174, 200, 250, 351
Cator, George, quoted 2, 6, 8, 10, 14, 15
Certificates of deposit 330
Certified checks 332
Charter, special 68, 72
Checks, forms of, 253; voucher 255
Chicago 12, 17
Chicago Fidelity Safe Depository 12
Chicago Loan & Trust Company 8
Chicago Tribune 17
Chief clerk, duties of 166
Cincinnati, 12; Cincinnati ledger 271
Cities, number and resources of trust companies in the larger. 29, 30
Civil War, 8; organization of trust companies after 10, 30, 31
Clearance clerks, duties of 167
Clearing checks 324
Collections 325
Colorado, 28; trust company laws of 93
Commercial and Financial Chronicle, quoted 13, 14
Comparative growth of banks and trust companies 19
Comptroller of the Currency, quoted, 9, 13, 14, 17, 19, 20; reports of 16
Connecticut 11, 14, 17, 28
Connecticut, Bank Commissioners of, 14; trust company laws of 95
Connecticut Trust & Safe Deposit Company, Hartford 11
Conservator, duties of 441
Corporations division of trust department, The 33, 185, 199
Coupon clerk, 168; ledger and record, 189; record 215
Coupons, handling of, 218; payment of 436
Cremation of securities 211
Customers, forms for the use of, 250, 344; treatment of 389
Cuba, trust companies in 453

Digitized by Google

PAGE
Daily statement 286
Delaware, 28; trust company laws of..... 96
Departments of trust companies..... 33
Depositary under reorganization plans, duties as..... 437
Deposit with state..... 85
Deposits of banks and of trust companies, table showing, 20; chart 21
Deputy, safe deposit, appointment of..... 236
Development of trust companies..... 15
Directors, selection of, 66; number required, 75; as sources of business 388
Discount powers 82
District of Columbia, 28; trust company laws of..... 97
Duties of trust companies acting in various capacities, Chapter XVI 413
Double liability of stockholders..... 85
Earning power of trust companies, sources of..... 52
Employees, qualifications of, 402; duties of the various, Chapter VI, 162; selection and treatment of..... 400, 403
England and Scotland, trust companies in..... 455
Escrows 437
Estates division of the trust department.....185, 190, 220
Europe 31
European countries, trust companies in..... 456
Examinations, legal requirements for, 88; discussion of, 395; various kinds 397
Examining committee 61
Executive committee 60
Executor, definition of, 37; duties of, 438; power to act as.. 79
Expense records 334
Express packages, record of..... 218
Failures of various classes of financial institutions..... 22
Farmers' Fire Insurance & Loan Company..... 2, 3, 4
Farmers' Loan & Trust Company..... 3, 6, 9
Fees, problem of determining, 405; as executor, administrator, guardian, 406; as assignee and receiver, 407; as trustee under bond issues, 407; as transfer agent, 408; for care of estates, 407; ledger for..... 218
Fidelity insurance 44, 81
Fidelity Trust Company, Philadelphia..... 11
Financing and reorganiztion of corporations..... 43
Florida, 28; trust company laws of..... 98
Foreign countries, trust companies in, Chapter XVII..... 444
Foreign exchange 408
Formative period, trust companies still in..... 53
Free Banking Law in New York..... 7

Digitized by Google

PAGE
Freedman's Savings & Trust Company..... 12
Functions of trust companies, 1; Chapter II..... 33
Gage, Lyman J..... 8
General books, 283; general bookkeeper..... 167
General statutes relating to trust companies..... 16
Georgia, 10, 28; trust company laws of..... 98
Girard Life Insurance, Annuity & Trust Company..... 5
Girard Trust Company 6
Greene, Charles A., quoted 419
Greene, Frank 23
Greene, Thomas L., quoted 435
Growth of trust companies, 16; charts showing, 18; causes of. 31
Guarantee & Investment Association, Chicago..... 12
Guardian, duties of, 441; power to act as..... 79
Hartford 12
Hartford Trust Company..... 11
Hawaii, 28; trust companies in, 453; trust company laws of. 99
History of the trust company movement in the United States, Chapter I 1
Idaho, 28; trust company laws of..... 100
Illinois, 10, 16, 28; early trust companies in, 8; trust company laws of..... 102
Illinois Trust & Savings Bank, Chicago..... 11
Incorporation of trust companies, 55; in various states, (see Chapter V) 90
Increasing business, methods of, Chapter XIII..... 379
Indian Territory 28
Indiana, 28; trust company laws of..... 103
Individual books 265
Individual deposits, growth of, 19; chart showing..... 21
Individual trusts, nature and variety of..... 34
Industrial Bank of Japan..... 454
Insolvency business 40
Interest on checking accounts..... 276
Investment of trust funds..... 442
Investment business, 38; records..... 220, 321
Iowa, 10, 28; trust company laws of..... 104
Jackson, President 8
Japan, trust companies in..... 454
Joint tenants of safe deposit box..... 237
Jones, Breckenridge 12, 48
Journals, individual, 270; general, 284; savings, 348; trust. 182, 190, 197
Judah, Noble B..... 427
Kansas, 20, 28; trust company laws of..... 105
Kentucky, 20, 28; trust company laws of..... 106
Kentucky Trust Company..... 7

Digitized by Google

PAGE
King, Willard V., quoted 427
Knickerbocker Trust Company, New York 24
Knox, John J., Comptroller, quoted 13
Labor saving devices 249, 408
Laws of the various states relating to trust companies, Chapter V 90
Lawyers and trust companies 52, 392
Ledgers for general accounts, 284; for individual accounts, 267; for savings accounts, 350; for trust accounts 184, 193
Legislation, trust company, Chapter IV 74
Letters of remittance, etc 326
Liabilities of trust companies acting in various capacities ... 413
Life insurance companies 9, 10
Life insurance trusts 36
Lincoln, President 8
Loan clerk, duties of, 165; loan department 292
Loans, restrictions regarding 86
Loose-leaf books 173, 190
Louisiana, 28; trust company laws of 107
Mail, banking by 410
Maine, 28; trust company laws of 109
Managers bond, safe deposit and real estate departments ... 170
Maryland, 10, 28; trust company laws of 111
Massachusetts, 11, 17, 28; trust company laws of 111
Massachusetts Trust Co., Boston 11
Merchants' Loan & Trust Company, Chicago 8
Mexico, trust companies in 453
Michigan, 28; trust company laws of 115
Minnesota, 28; trust company laws of 116
Miscellaneous functions of trust companies 51
Mississippi, 28; trust company laws of 117
Missouri, 15, 28; trust company laws of 119
Montana, 28; trust company laws of 120
Morris, C. F., quoted 416
Mortgage deed, form of 309
Mortgage loans 303
National banks, 16, 24; growth of deposits, 19, 20, 21; number in 1875, 17; suspensions of 22, 23
National Park Bank, New York 12
National Trust Company, New York 11, 13
Nebraska, 28; trust company laws of 122
Nevada, 28; trust company laws of 122
New accounts clerk 167
New England States 10
New England Trust Company, Boston 11
New Hampshire, 28; trust company laws of 122

Digitized by Google

PAGE
New Jersey, 10, 28; trust company laws of 123
New Mexico, 28; trust company laws of 126
New York, 10, 11, 12, 13, 16, 17, 26, 28, 29, 65; Bank Superintendent of, 13, 14, 15, 16, 24; early trust companies in, 2, 9; incorporation of trust companies in, 55; powers of trust companies in, 77; trust company failures in, 24; trust company laws of 128
New York Guaranty & Indemnity Company 11
New York Life Insurance & Trust Company 4, 6, 9, 10
New York Mercantile & Trust Company 11
New Zealand Public Trust Office 449
North American Trust & Banking Company, New York 7
North Carolina, 28; trust company laws of 133
North Dakota, 28; trust company laws of 134
Northern Trust Company, Philadelphia 11
Number of trust companies, 16, 17, 18, 19; in various states, 28; in various cities 29
Officers and employees 61
Officers, duties of the various 162
Offices and buildings 410, 389
Official checks 327
Ohio, 20, 28; trust company laws of 136
Ohio Life Insurance & Trust Company, Cincinnati 7
Oklahoma, 28; trust company laws of 138
Old Colony Trust Company, Boston, stock transfer rules of. 422
Opening accounts 250, 340
Oregon, 28; trust company laws of 141
Organization of trust companies, Chapter III 54
Panic of 1907 24
Pass-books, commercial, 251; savings, ... 344
Pennsylvania, 10, 11, 15, 16, 17, 28, 29; trust company laws of 142
Pennsylvania Company for Insurance on Lives and Granting Annuities 4, 5, 6
Perry, Ross, quoted 417
"Pet banks" 8
Philadelphia, 9, 12, 13; first trust company in 4
Porto Rico, trust companies in 453
Powers of trust companies, 76; in New York 77
Private banks, suspensions of 22, 23
Probate business, 37; Probate claim docket, 227; Probate settlement docket 181
Proceedings Trust Company Section, American Bankers' Association ..... (See Trust Company Section)
Proofs, bookkeepers', 266; tellers' 260
Provident Life & Trust Company, Philadelphia 10

Digitized by Google

PAGE
Rackemann, Felix, quoted 420, 425
Real estate business, 40; trust company holdings of, 80; real estate mortgage loans, 303; real estate department, Chapter XI 356
Real Estate Loan & Trust Company, Chicago 8
Receiver, duties of 40
Records, remarks concerning 172
Registering trusts 175
Registered mail and express, record of 218
Registrar of stock, 42; duties and liabilities as 425
Regulation of trust companies, statutory 83, 89
Rents, record of 225
Reorganization and financing 43
Reports 88
Reserves of trust companies 26, 27, 86
Resources and liabilities of trust companies, 1875-1908 ..... 25, 26
Rhode Island, 17, 28; trust company laws of 144
Rhode Island Hospital Trust Company, Providence 10
Rollins, Jordan J 416
Safe deposit business, 45, 81, 170; department, Chapter VIII 234
Safe deposit companies, early 11
Safe Deposit Company, New York 11
Safe Deposit & Trust Company, Baltimore 11
Safe Deposit & Trust Company, Pittsburg 10
Savings banks, 51; growth of deposits, 19, 20, 21; number in 1830, 9; in 1875, 17; suspensions of, 22, 23; progress relative to that of trust companies 9
Savings department, Chapter X 340
Scotland and England, trust companies in 455
Secretary and Treasurer, duties of 163
Securities, records of 220, 321
South Carolina, 28; trust company laws of 146
South Dakota, 28; trust company laws of 146
State banks, 24; growth of deposits, 19, 21; number in 1875, 17; suspensions of 22, 23
State regulation (see Chapter IV) 24
Statement of accounts 280
States, statistics of trust companies in 28, 30
Statistics of trust companies, 16-30; tables of 25, 26
Stevenson, Charles W., quoted 32
Stewart, John A 8
Stock, duties and liabilities of registrar of, 425; of agent for transfers of, 413; rules for issue and transfer of 422
Stock ledgers, 209; registers 206
Stockholders 58, 388

Digitized by Google

PAGE

Stone, Ralph, quoted 2
Stop payments on checks 282
Storage department 244
Sumner, Charles 12
Sundry topics, Chapter XV 405
Superiority of trust companies over individuals in trust capacities 45
Supervision of trust companies 14
Supply department records, 337; clerk 166
Surplus fund, accumulation of 84
Surplus and undivided profits, growth of, 27, 28; chart showing 27
Suspension of banks and trust companies 22-24
Tellers, duties of, 167; records 260
Tennessee, 28; trust company laws of 148
Texas, 28; trust company laws of 149
Ticklers 200, 201, 210, 220, 226
Time and labor saving devices 249, 408
Title insurance, 44, 81; department, Chapter XII, 369; policy, conditions of 373
Transfer agent, 42; duties as, 413; liabilities as, 415; methods of safe-guarding, 421; transfer clerk 168, 203
Transfer of stock, methods and forms used, 203; rules for .. 422
Trial balance 277
Trust, definition of 33
Trust & Deposit Company of Onondaga, Syracuse 10
"Trust Companies" magazine, quoted 24
Trust companies in foreign countries, Chapter XVII 444
"Trust Companies of the United States," quoted 10, 17, 19, 20, 28
Trust Company Section of The American Bankers' Association 24, 32, 47, 74, 84, 175, 405, 414, 416, 421, 428, 436
Trust department, work of, 168; forms and records for, Chapter VII, 172; methods of increasing the business of. 390
Trust funds, 24; the investment of 442
Trust officer, duties of 169
Trustee under bond issues, duties and liabilities of 428
Trustee, duties of, 41, 209, 440; various functions as, 34-37; power to act as 80
Undivided profits and surplus 27, 28
Union Trust Company, New York 10, 13
Union Trust Company, Providence 24
United States Mortgage & Trust Company, New York 17
United States Trust Company, New York 7, 9, 10
Utah, 28; trust company laws of 151
Vermont, 28; trust company laws of 152
Vierling, Frederick 423

Digitized by Google

PAGE
Virginia, 28; trust company laws of 154
Voucher checks 255
Vouchers, trust department 229
Walker, Guy Morrison 53
Warehouse Security Company, New York 13
Washington, 28; trust company laws of 155
West Virginia, 28; trust company laws of 157
Williams, Clark 24
Wills, record of 232
Wisconsin, 28; trust company laws of 159
Withdrawals on savings accounts 348
Women as employees 403
Worcester Safe Deposit & Trust Company, Worcester, Mass. 11
Working force, organization of, Chapter VI 162
Wyoming, 28; trust company laws of 160
Young Men's Christian Association 404

Digitized by Google

INDEX TO FORMS.

	FIGURES	PAGES
Advertising list, card for	284,285	382, 383
Affidavit to loss of pass-book	251	354
Application for draft	215	331
Appointment of deputy (safe deposit)	90	237
Authority to hypothecate securities	...	302
Balance ledger	130	272
Bond memorandum card	43	212
Bond, mortgage	183	308
Bond register	39-42	210-212
Bonds, record of	57, 61	221, 222
Bonds, registered, record of	46, 47	214
Bonds, requisition for	44	213
Boston ledger	128	268, 269
Boston ledger for general accounts	155-157	289, 290
Cash book, safe deposit	93	240
Certificate of authority for joint control	234	344
Certificate of authority to draw funds	233	344
Certificate of deposit	216	331
Certificate of deposit record	219	333
Certificate of deposit register	217, 218	332
Certificate of deposit of pkge., safe deposit.	100	244
Certified check	220	333
Certified check, debit slip for	222	335
Certified check ledger account	223, 224	335
Certified check register	221	335
Check	113	254
Check, counter	115, 116	256
Check, official	212	329
Check on savings account	239	347
Check scratcher or journal	132	273
Check, trust department	82	231
Check-stub	113, 114	254, 255
Check, voucher	117-123	257-259
Check and deposit journal	131, 134	273, 274
Claim docket, Probate	79	229
Clearing House list	203	322, 323
Collateral line ledger	169-171	298,299
Collateral loan envelope	174	302
Collateral note	172	300
Collateral register	175, 176	303
Collection register	204, 205	325
Collection report	209	328

Digitized by Google

	FIGURES	PAGES
Collection return slip	210	329
Collection tickler	206	326
Collection tracer	211	329
Coupon enclosure form	50, 51	216, 217
Coupon, interest	181, 182	307
Coupon record	12, 48, 49	189, 215
Credit slip	83, 159, 160	231, 291, 292
Cremation certificate	...	211
Daily report, banking department	162	293
Daily report, safe deposit department	105	247
Daily statement	152-154	286-288
Debit slip	158, 160	291-292
Debit slip for certified check	222	335
Demand loan ledger	164, 165	295
Deposit slip	108, 109	251, 252
Deposit slip, duplicate	112	254
Deposit slip, savings	236	346
Deposit scratcher or journal	133	273
Deputy, appointment of, safe deposit	90	237
Deputy-ship, safe deposit, form for revoking	91	238
Discount register	194	317
Discount tickler	195	318
Draft, application for	215	331
Draft, New York	213	330
Draft register	214	330
Employment application envelope	286	401
Endorsement stamp, loan payment	187	313
Expense voucher, petty	161	292
Expense voucher record	225, 226	336
Express and registered mail record	53, 54	218
Fee ledger	52	218
General bookkeeper's proof	146	283
General cash summary	126	265
General journal	147-149	284, 285
General ledger	150, 151	285, 286
Identification card, safe deposit	89	236
Income on investments, record of	202	321
Index of inquirers (Real Estate Dept.)	259	360
Index of owners (Real Estate Dept.)	258	360
Index of properties (Real Estate Dept.)	254, 255	358
Index of securities held in trust	64	223
Index of tenants	256, 257	359
Individual bookkeeper's proof	127	266
Individual journal	129, 131-134	271, 273, 274
Individual ledger	135, 137, 138	274, 276, 277

Digitized by Google

	FIGURES	PAGES
Insurance record	74, 271	219, 366
Insurance tickler	73	227
Interest coupon, mortgage note	181, 182	307
Interest notice	189, 190	314, 315
Interest on loans, record of	63	222
Interest, sheet for figuring	191	315
Interest statement	136	275
Investment ledger	201	321
Investments, record of income on	202	321
Journal, general	147-149	284, 285
Journal, individual	129, 131-134	271, 273-274
Journal, loan	163	294
Journal, Real Estate Dept	274	368
Journal, savings	242-244	349, 350
Journal, trust	7, 8, 13-15	183, 185 191-193
Journal and ledger, trust	22	197, 198
Ledger, balance	130	272
Ledger, Boston	128	268, 269
Ledger, Boston, for general accounts	155-157	289, 290
Ledger, coupon	12	189
Ledger, fee	52	218
Ledger, general	150, 151	285, 286
Ledger, individual	135, 137, 138	274, 276, 277
Ledger, line	65, 169-171	223, 298
	196-198	299, 318
Ledger, loan	164-168 184, 185	295-297, 311
Ledger, safe deposit	94, 95	241
Ledger, savings	245-249	351-353
Ledger, trust	9-11, 16-22	187, 188 194-198
Ledger and journal, trust	22	197, 198
Line ledger, collateral	169-171	298, 299
Line ledger, discount	196-198	318
Line ledger of securities held in trust	65	223
Loan application, mortgage	177, 178	304, 305
Loan book	192	316
Loan ledger	164-8, 184-5	295-297, 311
Loan payment endorsement stamp	187	313
Loan and income journal	163	294
Lost pass-book, affidavit to	251	354
Memorandum of new tenant	263	363
Memorandum of sale	260	361
Mortgage bond	183	308
Mortgage deed	...	309, 310

Digitized by Google

	FIGURES	PAGES
Mortgage ledger	184, 185	311
Mortgage loan application	177, 178	304, 305
Mortgage loan envelope	186	313
Mortgage loans, record of	59, 62, 66, 67	221-224
Mortgage note	179, 180	306
Mortgage note interest coupon	181, 182	307
New York draft	213	330
Note, collateral	172	300
Note, common form	199	319
Note, mortgage	179, 180	306
Official check	212	329
Owners of property, index of	258	360
Package record	103	246
Package, certificate of deposit of	100	244
Pass-book	110, 111	252, 253
Pass-book, savings	235	345
Pass-book, affidavit to loss of	251	354
Paying teller's proof	125	263, 264
Pay-roll slip	227	338
Permission to inspect property	262	363
Power of attorney for transfer of stock	173	301
Probate claim docket	79	229
Probate settlement docket	6	182
Proof, general bookkeeper's	146	283
Proof, general cash	126	265
Proof, individual bookkeeper's	127	266
Proof, paying-teller's	125	263, 264
Proof, receiving teller's	124	261, 262
Property, index of	254, 255	358
Property, list of	269	365
Property listed, description of	253	357
Real Estate Department journal	274	368
Real estate loans, record of	59, 62, 66, 67	221-224
Real estate loan application	177, 178	304, 305
Real estate record	68, 69	219, 225
Receipt for bonds	45	214
Receipt for certificate of storage	102	245
Receipt for coupons	50	216
Receipt for package left for storage	100	244
Receipt for rent	265	364
Receipt for safe rent	88, 101	235, 245
Receipt for savings book	250	354
Receipt for stock certificate	30, 31	204
Receipt for stock left for transfer	27, 28, 29	202, 203
Receipt and identification card, safe deposit	89	236
Receiving teller's proof	124	261, 262

Digitized by Google

	FIGURES	PAGES
Register of trusts	1-5	175-181
Registered mail and express record	53, 54	218
Release from mortgage	...	312
Remittance letter	207-209	326-328
Removal memorandum	264	363
Rent book	70, 71, 275	226, 368
Rent notice	266, 267	364, 365
Rent, receipt for	265	364
Rent record	72	227
Rent roll-book	270	365
Rental, renewal and surrender book	104	246
Rents collected, statement of	273	368
Report, daily	105, 162	247, 293
Report of sale	261	362
Report to Executive Committee	193	316
Requisition for bonds	44	213
Requisition for supplies or repairs	268	365
Return slip	210	329
Safe deposit department cash-book	93	240
Safe deposit ledger	94, 95	241
Safe deposit register	92	239
Safe deposit tickler	96	242
Safe register	97, 98	242, 243
Safe rent, receipt for	88, 101	235, 245
Sale agency contract	252	356
Sale, memorandum of	260	361
Sale, report of	261	362
Savings account, check on	239	347
Savings book, receipt for	250	354
Savings deposit journal	243, 244	349, 350
Savings deposit slip	236	346
Savings ledger	245-248	351, 352
Savings ledger trial balance	249	353
Savings pass-book	235	345
Savings withdrawal journal	242	349
Savings withdrawal slip	237, 238	346, 347
Securities, record of	56-62, 66, 67	219, 221-224
Settlement docket, probate	6	182
Signature card	106-7, 230-2	250, 341, 342
Statement, daily	152-154	286-288
Statement of account	140-148	278-281
Statement of borrower, form for	200	319, 320
Statement of rents collected	273	368
Statement to beneficiaries	84-86	232
Stock ledger	35-38	207-209
Stock, record of	58, 61	221, 222

Digitized by Google

	FIGURES	PAGES
Stock transfer book or register	32-34	205, 206
Stop-payment memorandum	144, 145	282
Substitution of collateral, form for	166	296
Supplies, record of	228	338
Tax book	75-78	228
Tax record	272	367
Tenant, memorandum of new	263	363
Tenants, index of	256, 257	359
Tickler, collection	206	326
Tickler, discount	195	318
Tickler, insurance	73	227
Tickler, safe deposit	96	242
Tickler, time loan	188	313
Tickler, trust department	23-26, 55	199-201, 220
Time loan ledger	167, 168	296, 297
Title, application for guarantee of	276	370
Title insurance policy	277-282	371-377
Title insurance policy register	283	378
Tracer, collection	211	329
Transfer of stock, power of attorney for	173	301
Trial balance book	139	277
Trust register	1-5	175-181
Visitors' register, safe deposit	99	244
Voucher check	117-123	257-259
Voucher, petty expense	161	292
Voucher, trust department	80, 81	229, 230
Voucher record, expense	225, 226	336
Wills on file, record of	87	233
Withdrawal, acknowledgment of notice of	241	348
Withdrawal journal, savings	242	349
Withdrawal, notice of	240	347
Withdrawal slip, savings	237, 238	346, 347

Digitized by Google

Digitized by Google

Digitized by Google

14 DAY USE
RETURN TO DESK FROM WHICH BORROWED

LOAN DEPT.

This book is due on the last date stamped below, or on the date to which renewed.
Renewed books are subject to immediate recall.

10Apr61DF

REC'D LD
MAR 27 1961

11May'61SS

REC'D LD
MAY 15 1961

LD 21A-50m-12,'60
(B6221s10)476B

General Library
University of California
Berkeley

OCT

Digitized by Google

YD 05517

202032
HG4352
.H4
UNIVERSITY OF CALIFORNIA LIBRARY

Digitized by Google

Digitized by Google